

FINANCIAL TIMES

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In search of the green vote

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Delivering a mid-term verdict

Page 2

Loyalists warn IRA of retaliation over bombing campaign

The British and Irish governments are facing the prospect of a serious escalation in paramilitary violence over Northern Ireland. Ullster Loyalist paramilitary leaders warned the IRA they would retaliate to each bombing "blow for blow", as the IRA admitted responsibility for a bomb planted in west London at the weekend - the third explosion in the capital in as many weeks. Page 7

Wall Street wavers again as London slips back

Shares on Wall Street and London fell again as financial markets continued their recent volatility. In late trading in New York, the Dow Jones Industrial Average was just 17 points lower, having recovered from a 90-point drop. In Europe, initial rallies fell away as investors continued to react to the possibility that the falls in US interest rates might be over. London's FT-SE 100 index fell 35 points to 3,638.5, its lowest close this year, while the benchmark 10-year gilt fell by about half a point. London stocks, Page 28; World stocks, Page 32

Leaders gather for Mideast summit

The US and Israel urged greater international intelligence-sharing to counter terrorism, as world leaders began arriving for a summit in Egypt in response to suicide bombings in Israel. Arab leaders fought to widen the "anti-terror" focus of the 29-nation meeting. In Israel (left), security was increased in advance of the start of the summit, and the subsequent visit of US president Bill Clinton. Page 4

German exports fall

German exports fell year-on-year in December, finally reacting to last year's sharp increase in the value of the D-Mark. But the December trade surplus rose, reflecting an even sharper fall in imports. Page 12; CDU juggernaut, Page 2; Editorial Comment, Page 11.

Euro Disney to build new towns

Euro Disney, operator of the Paris-based theme park, is to develop a new town including a 90,000 sq metre shopping development, houses and leisure facilities on the outskirts of its existing site. Page 12

Deutsche Telekom, said its 1995 sales had risen only 4 per cent to DM\$6bn (\$4.5bn) - DM\$2bn lower than forecasts made nine months ago - but declined to explain the shortfall, insisting the figures were preliminary. Page 13; LEX, Page 12.

Lego to build 15 theme parks

Danish toy company Lego announced plans to spend about \$2bn building 15 new parks worldwide in the next century. Page 18

UK joins European arms projects

Britain is to join Germany and France in producing a new armoured car, a move German officials said would pave the way for UK entry into a joint arms procurement agency. Page 2

Clinton heads Dole in standings

As seven Republican party primaries were being held, a Washington Post/ABC survey put US president Bill Clinton ahead of Republican nomination favourite Bob Dole by 17 percentage points. Page 5

EU split on telecoms talks

World Trade Organisation talks on liberalising telecoms were thrown into uncertainty by a split between European Union governments. Page 4

UK criticised on fishing fleet size

Emma Bonino, the European fisheries commissioner, defended the Common Fisheries Policy and said the UK was lagging behind other EU member states in cutting the size of its fishing fleet. Page 7

Magellan cuts equity holdings further

The Magellan mutual fund, Fidelity Investments' leading fund, continued to cut its equity holdings in January. There has also been a shake-up of portfolio managers at Fidelity, involving managers of 25 equity funds. Page 13

Hanson, the industrial conglomerate, sold its remaining US forestry interests for \$1.59bn to Willamette Industries, the Oregon-based forest products group. Page 18

Japan Synthetic Rubber, the country's largest producer of plastic resin, is to merge its resin division with Mitsubishi Chemical, Japan's leading chemicals group and third-largest resin producer, to seek economies of scale. Page 16

Beijing move prompts Taiwanese companies to reconsider investments

China live-fire tests raise tension

By Laura Tyson in Taipei and Tony Walker in Beijing

Tension between Beijing and Taipei reached the highest point in decades yesterday as China began live ammunition military exercises in the Taiwan Strait, prompting leading Taiwanese industrialists to reconsider mainland investments.

The US assembled the largest naval force in the region since the Vietnam war to monitor the military manoeuvres, warning that ships using some of the world's busiest shipping lanes were forced to go around the designated exercise site, and hundreds of flights due to pass near the area were diverted.

Taiwanese government officials said the escalation of cross-strait tension, which began last July, had hit the island's economy. The value of capital investment projects fell 70 per cent in January from a year earlier, the Industrial Development Bureau said.

The central bank said bank loans to private businesses, although down by a relatively modest 0.35 per cent in January from a year before, showed their first fall in a decade.

The military manoeuvres, coupled with missile tests near the island's two biggest ports which began last Friday, are intended to undermine support for Mr Lee Teng-hui, Taiwan's president, in the country's first direct presidential elections on March 23. Beijing also wants to push Mr Lee, the favourite in the polls, into dropping a campaign for greater recognition for Taiwan, which Beijing sees as a bid for formal Taiwanese independence.



China's president Jiang Zemin (second left), meets senior People's Liberation Army generals during the National People's Congress. Picture: Reuters

China, which regards Taiwan as a renegade province, warned the US for the second consecutive day to stop interfering in the Taiwan issue. It said Washington's decision to deploy warships in the area encouraged "separatist" tendencies.

"The United States should be careful not to send the wrong message to Taiwan authorities that it supports their activities," Mr Shen Guofang, the foreign ministry spokesman, said. China reserves the right to use

force against Taiwan to counter interference moves or foreign moves, he stressed. Beijing refuses to renounce military means to achieve reunification.

The Democratic Progressive party, Taiwan's main opposition party, led a trip near one of the missile test sites in protest at China's actions. "Taiwan is an independent sovereign country. We will never succumb to coercion from communist China," Mr Shih Ming-teh, DPP chairman, said.

In the Taiwanese corporate sector President Enterprises, a foods conglomerate and the island's biggest investor in China, said it would delay or cancel new projects on the mainland if Beijing persisted in military exercises. President has invested US\$120m in 14 mainland companies.

Wei Chuan Foods, another foods group which has invested US\$16m in seven mainland projects, said it had adopted a conservative attitude toward its investments until tensions eased.

Several investment projects have been postponed. The Hong Kong Shipowners Association said at least 100 vessels travelling from Hong Kong to points along the China coast must change their routes during the live-ammunition exercises - adding five hours to the journey.

The missile tests are due to end on Friday and the live ammunition exercises on March 20.

Row strains US 'ambiguity' doctrine, Page 6

UK government calls for curbs on EU powers

By Robert Peston, Political Editor, in London

The UK government yesterday launched a tirade against the European Court of Justice and outlined an anti-federalist vision of the European Union based on the "powers and responsibilities of the nation states".

Mr John Major, the prime minister, described as "judicious" and "complete nonsense" a provisional ruling by the European Court of Justice which could lead to a 48-hour working week being imposed on British companies.

He was speaking in the House of Commons before publication of a white paper on the UK's approach to this month's inter-government conference on reforming the EU's institutions, which drew mild criticism from the Tory party's Eurosceptic and pro-European wings.

Prime minister attacks ruling on 48-hour week

The Eurosceptics said they welcomed the government's intention to limit the EU's powers, although they doubted whether it would succeed.

In his most explicit attack on the EU, Mr Jonathan Aitken, Treasury chief secretary until last July, warned that if the government failed then "for the first time for many years, this house would have to start to seriously consider the option of withdrawal" from the EU.

However, the anti-European Tories reserved most of their criticism for a ruling by the European court's advocate-general, Mr Philippe Leger, that the 48-hour ceiling on working hours applies to the UK because it is a health and safety issue.

secretary, attempted to allay their concerns, saying this was an example of the court interpreting EU legislation for "purposes that were never intended".

The white paper says that the UK will argue at the IGC for "limiting the scope for community action in certain areas".

It argues for procedures for the "rapid amendment of EC legislation" if the court interprets it in a way other than in which it was originally framed. There is also a call for an appeals mechanism.

Most of the white paper is a restatement of existing government policy. It contains reinforced commitments to oppose any extension of majority voting in EU decision-making or any increase in the powers of the European parliament.

Underlying all the recommendations is a commitment to ensure that "national parliaments remain the central focus of democratic legitimacy".

The government wants an enhanced role for national parliaments in EU decision-making and will "bring forward proposals to entrench subsidiarity [the principle that the EU should only operate where it can do so more efficiently than individual nations] into the treaty".

Mr Rifkind reiterated that in the areas of foreign and security policy, together with justice and home affairs, the UK would insist that EU initiatives must continue to be based on unanimous agreement by member states.

The Labour opposition is likely to oppose the paper. However, it welcomed most of it, reserving criticism for government opposition to an employment target in the EU's treaty, its rejection of the social chapter and its failure to address monetary union.

Paper 'defends British interests', Page 7
Editorial Comment, Page 11

Mexico plans to sell assets of failed banks in wake of crisis

By Leslie Crawford in Mexico City

The Mexican government plans to sell the assets of seven collapsed banks in an attempt to recoup part of the cost of bailing out the financial system during last year's financial crisis.

The government is understood to be in the process of setting up a trust to assess the real value of the failed banks' loan portfolios and other assets and find potential buyers for them. The move has important implications for Mexico's ailing financial sector and for corporations which are struggling through a severe recession with heavy debts.

The escalation of problem loans in the banking system has severely curtailed the ability of banks to extend new credit. Problem loans officially reached about \$18bn, or 13.3 per cent of total loans last December, but independent analysts estimate them to be at least double this amount.

In addition the debt burden of Mexican corporations is widely held to be the biggest obstacle in the path of a sustained economic recovery. "Many Mexican enterprises are insolvent at their current debt levels, but could become solvent if creditors decide to reduce the debts' value," says Mr Alfredo Thorne at US investment bank J.P. Morgan in Mexico City. "What is missing are market mechanisms for extinguishing debt."

Senior finance officials said they hoped the government trust would act as a catalyst for the creation of a secondary market for discounted debts. "We aim to act as an initial marketmaker by establishing prices and attracting buyers for non-performing loans," a Mexican finance official explained. "Other banks may then be persuaded to use the secondary market to sell their non-performing loans."

He said several foreign asset managers had expressed an interest in acquiring Mexican corporate debt, but had been deterred from doing so because of the absence of an effective market for such assets.

Mr Oscar Medina Mora, a senior executive at Banamex, Mexico's largest commercial bank, has been seconded to head the trust, which is to be partly modelled on the US Resolution Trust Corporation, set up to liquidate the assets of failed savings and loan organisations.

The government's move was welcomed by financial analysts as a positive step towards solving the country's corporate debt impasse. Debt write-offs have been resisted by Mexican banks because of the cost to their shaky balance sheets. Corporate debtors, for their part, have been reluctant to sell assets or accept a dilution of ownership to raise capital to repay their debts.

Finance officials said they believed the new scheme could be implemented at no extra cost to the government, which has already set aside 32bn pesos (84.2bn) towards the cost of last year's bank interventions.

On paper, the assets of the seven failed banks - Creml, Union, Banpais, Interstatal, Oriente, Obrero and Inverlat - were worth 137bn pesos at the time of intervention. In practice, they are likely to be worth only a fraction of that.

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London's auction houses face clash with Brussels

By Emma Tucker in Brussels

London's most famous auction houses are heading for a showdown with the European Commission which will today announce proposals to introduce a Europe-wide levy on the sale of contemporary works of art.

All European painters, sculptors and photographers, or their heirs, will be entitled to a small cut, ranging from 2 to 4 per cent, for works which are resold up to 70 years after their death.

But Christie's, the auctioneers, said the proposal would drive art sales out of the European Union. "If you want the market in contemporary art to move from Paris and London to New York... then this is the right way to go about it," said Mr Anthony Browne, a director at the auction house.

Most EU member states have copyright laws that entitle artists or their heirs to a percentage of the price when a work is resold by public auction or through an agent. But in Britain, Ireland, Austria and the Netherlands, artists receive nothing.

For example, David Hockney, the British artist, is rewarded when one of his paintings is sold in Paris, whereas the estate of Pablo Picasso, the late Spanish artist, receives nothing when one of his paintings is sold in London. The Commission believes this disparity distorts the single market.

However, the British government said it saw no reason for introducing this proposal, which will be referred to EU ministers for a decision. "It would be a substantial extra burden on business," the government said.

Artists' organisations in the UK were delighted. "This is an important right for artists," said Ms Janet Ibbotson, deputy chief executive of the Design and Artists Copyright Society. She said many artists were "broke and would benefit enormously".

Pressure for harmonisation has come from Germany and, in particular, from France, where public sales represent an important part of the art market. However, the government believes the

Continued on Page 12

STOCK MARKET INDICES		GOLD	
New York: Dow Jones Ind Av	5,888.67 (-11.34)	New York: Gold (Apr)	367.5 (308.7)
NASDAQ Composite	1,807.18 (-15.12)	London: Gold	366.4 (308.2)
Hang Seng	7,342.78 (-12.52)	New York: Platinum (Apr)	980.0
Hong Kong	13,232.00 (-10.85)	New York: Silver (Apr)	5.850 (5.850)
FTSE 100	3,638.5 (-35.0)	London: Silver	5.850 (5.850)
Nikkei	14,500.27 (-153.58)	New York: Sterling (Apr)	1.5225 (1.5225)
US DISCOUNT RATES		DOLLAR	
Federal Funds	5 1/4%	New York: Treasury	100.000 (100.000)
3-month T-bill	5.072%	London: Treasury	100.000 (100.000)
6-month T-bill	5.072%	New York: Euro	166.500 (166.500)
12-month T-bill	5.072%	London: Euro	166.500 (166.500)
10-year T-bill	5.072%	New York: Yen	100.000 (100.000)
10-year Treasury Note	5.072%	London: Yen	100.000 (100.000)
10-year Treasury Bond	5.072%	New York: DM	100.000 (100.000)
10-year Treasury Inflation Protected Security	5.072%	London: DM	100.000 (100.000)
OTHER RATES		STERLING	
US 3-month Interbank	5 1/4%	New York: Sterling	1.5225 (1.5225)
US 10-year Bond	5.072%	London: Sterling	1.5225 (1.5225)
France 10-year Bond	5.072%	New York: DM	1.4500 (1.4500)
Germany 10-year Bond	5.072%	London: DM	1.4500 (1.4500)
Japan 10-year Bond	5.072%	New York: Yen	100.000 (100.000)
Japan 10-year Treasury Inflation Protected Security	5.072%	London: Yen	100.000 (100.000)
NORTH SEA OIL (Average)		CONTENTS	
Brent 15-day (Apr)	\$18.75 (18.32)	News	12
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WTI 60-day (Apr)	\$18.75 (18.32)	Art Guide	9
WTI 90-day (Apr)	\$18.75 (18.32)	International News	23
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WTI 210-day (Apr)	\$18.75 (18.32)	UK	18,20
WTI 240-day (Apr)	\$18.75 (18.32)	US	18,20
WTI 270-day (Apr)	\$18.75 (18.32)	Foreign Exchange	23
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WTI 330-day (Apr)	\$18.75 (18.32)	Observ	11
WTI 360-day (Apr)	\$18.75 (18.32)	Int. Cap Mkt	14-17
WTI 390-day (Apr)	\$18.75 (18.32)	Int. Cap Mkt	22
WTI 420-day (Apr)	\$18.75 (18.32)	Int. Bond Service	22
WTI 450-day (Apr)	\$18.75 (18.32)	Wall St/Buzz	29-32
WTI 480-day (Apr)	\$18.75 (18.32)	Managed Funds	38,27
WTI 510-day (Apr)	\$18.75 (18.32)	Money Markets	35
WTI 540-day (Apr)	\$18.75 (18.32)	Recent Issues	32
WTI 570-day (Apr)	\$18.75 (18.32)	Share Information	34,25
WTI 600-day (Apr)	\$18.75 (18.32)	London SE	28
WTI 630-day (Apr)	\$18.75 (18.32)	Wall St/Buzz	29-32
WTI 660-day (Apr)	\$18.75 (18.32)		

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UK to join European arms project

By Michael Lindemann in Bonn

German officials yesterday welcomed Britain's decision to join Germany and France in producing a new armoured car, and said this would pave the way for UK entry into a joint arms procurement agency.

British participation in the armoured personnel carrier project was clinched this week, subject to agreement on what British officials described as "detailed amendments" to the bidding documents for the multi-role armoured vehicle or MRAV.

"A significant step has been taken," said a German defence ministry official, hailing the prospect of closer co-operation with Britain over

the MRV and other projects. Agreement among the three countries comes after months of negotiations, and significantly improves the prospects for the success of the joint procurement agency. The agency was conceived by the Germans and the French as part of an effort to compete more effectively with the much bigger US defence industry.

Italy and other European countries are watching developments closely with a view to joining in the future, and both the original partners have privately expressed the hope it will develop into a fully-fledged European procurement agency.

France, Germany and the UK said they needed to clarify details about

the way the competition for the armoured personnel carrier would be conducted. Once that work is completed - expected by the end of this month - Britain will become fully involved in the preparations for the agency agreed at the last Franco-German summit in December.

The agency will be based in Bonn and is expected to employ about 15 people by the end of this year. They will pull together the financial and personnel activities at several Franco-German arms projects such as the Tiger attack helicopter in an effort to make them more efficient.

It remained unclear yesterday, however, to what extent Britain would be obliged to buy European

weapons systems after it joins the agency. The French were furious last year when Britain decided to spend £2.5bn on US Apache tank-buster helicopters instead of opting for the Tiger.

In his most recent comments on the issue, however, Mr John Major, Britain's prime minister, said he regarded the agency as a good idea but wanted to preserve the option of buying US equipment when it offered better value.

Arms manufacturers from the three countries, including Krauss-Maffei and Thyssen Henschel of Germany, Giat of France, and the UK defence suppliers Alvis, GKN and Vickers will work together "on an equal

basis" to submit plans for the planned MRV. France and Germany have already drawn up bidding documents, but a source close to the talks said Britain had managed to include a provision which allowed the competing companies, notably the UK ones, a greater say in how the vehicle was to be designed.

"We want the best value-for-money solution," the official said. "The new agreement ensures the competition is as open as possible and that industry can be innovative."

The MRV is expected to move to a development stage some time in 1998, and several thousand will be produced starting some time after the year 2000, officials said.

Senior Italian judge arrested

The role of Italy's investigating magistratures has entered the election campaign after the surprise arrest on corruption charges of Mr Renato Squillante, a senior member of the Rome judiciary.

Mr Squillante, aged 71, is the second most prominent judge to be arrested since the Milan magistratures began their anti-corruption drive in 1992. Last night the nature of the charges was not revealed other than that they related to two alleged instances of corruption dating back to 1988 and that two other members of the judiciary were also under investigation.

From 1976 to 1980 he was a commissioner of Concord, the stock exchange watchdog and since then has handled several politically important cases.

The style and timing of the arrest immediately provoked criticism. Mr Squillante was arrested as his chauffeur prepared to take him to work in the Rome courts and he was transferred to Rebibbia jail. It is unusual for someone in his position and at his age to be taken to prison, instead of being allowed bail.

Robert Graham, Rome

Finland's credit rating boosted

Finland's determined battle to control its public finances despite one of Europe's highest unemployment rates was rewarded yesterday by an effective upgrading in its sovereign debt rating by IBCA, the European credit rating agency.

IBCCA said its assignment of an AA rating "is justified by Finland's impressive resilience in the face of extraordinary economic shocks, which have provided a more demanding stress test than applied to any other European country in the post-war period."

However, the strain of unemployment running at close to 18 per cent of the workforce showed when Ms Liisa Jaakola, the minister of labour, said Finland could not join the planned European monetary union as intended by the government unless there was a significant fall in the jobless rate. "It would be an almost impossible combination," she told the newspaper Karjalainen.

Hugh Carnegie, Stockholm

French bank seeks Euro-judice

Société Générale, one of France's largest private banks, has launched a legal action in the European Court of Justice in Luxembourg against the government-backed rescue plan for Crédit Lyonnais.

The bank's action follows its unprecedented criticism of the bail-out, finalised last year and estimated to cost the French taxpayer up to FF750bn (\$9.9bn).

Société Générale, along with a number of other banks, including Banque Nationale de Paris, originally launched a campaign against the rescue and filed a complaint with the European Commission in Brussels.

They claimed that the costs of the restructuring were extremely high, and that they came without any adequate counterparty in the form of economies in the operations of Crédit Lyonnais. The Commission demanded several minor modifications to the plan, but approved the rescue essentially unchanged.

Andrew Jack, Paris

Air France reaches pilots deal

Air France has reached an agreement with pilot unions to enable it to cut its losses and increase productivity. The pilots have agreed to fly on average 620 hours this year, compared with 542 hours in 1993, with no corresponding pay rise.

Air France pilots earn about \$110,000 (£72,000) a year, making them among the world's highest paid. "The objective is to cut losses and take off again," Air France said.

However, Air France ground staff have called a 24-hour strike for Friday to protest against the company's restructuring plans.

AP, Paris

European tourist growth slows

Europe remains the world's top tourist destination, but the industry is growing at a markedly slower rate, the Organisation for Economic Co-operation and Development reported yesterday.

Tourism was a factor in a drop in visitors to France in 1995, and a general economic malaise curbed growth in other countries, it said. Tourism produced the equivalent of \$161bn in 1995, up from \$140bn a year earlier. The OECD found that hotel stays - generally considered the best way to measure tourism - rose by a modest 2 per cent last year compared with an 11 per cent rise in 1994.

AP, Paris

Warning on Russian banking

Nearly two thirds of Russia's commercial banks are likely to fold over the next few years, according to a European Union-financed report released yesterday.

The study forecast that Russia would follow the trend set by the post-communist countries of eastern Europe, where economic stabilisation set off a shake-out of the commercial banking sector. Some 1,500-1,600 out of the 2,355 commercial banks active in Russia are likely to vanish over the next few years, according to economists who prepared the Russian Financial Sector survey for the EU. But the analysts said that the banks which survived were likely to be stronger than before.

Christina Freehand, Moscow

Hungary passes welfare budget

The Hungarian parliament yesterday accepted a much-delayed social security budget for 1996, including a tight Ft17.8bn (\$124m) deficit, which should pave the way for a critical loan agreement with the international Monetary Fund as well as for membership of the Organisation for Economic Co-operation and Development.

The IMF decided on the stand-by loan, the first since it goes through, the OECD, which has already admitted the Czech Republic, is expected to approve Hungary's membership later this month.

Virginia Marsh, Budapest

Switzerland's GDP declines

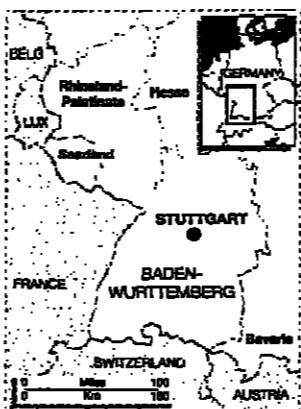
Switzerland's gross domestic product grew only 0.7 per cent last year, compared with 1.2 per cent in 1994. A 0.9 per cent decline in the fourth quarter has raised fears that the country could slide back into recession this year. Some economists have already revised their 1996 GDP forecasts downwards. Bank Julius Baer to 0.3 per cent and Union Bank of Switzerland to 0.6 per cent.

The economy's slide has been caused largely by the negative impact of a steadily strengthening Swiss franc on the country's export and tourism sectors. The Swiss National Bank cut its discount rate four times during 1995, leaving it at only 1.5 per cent. Mr Markus Lusser, SNB president, said in a speech in Zurich yesterday that demand for money was picking up.

The central bank's target of 1 per cent average annual growth in the monetary base might be reached this year after falling short in 1995.

Although the economy would remain weak over the next few months, Mr Lusser was still confident activity would pick up late in the year. "I don't believe we are faced with the risk of recession," he said.

Tom Rodger, Zurich



Baden-Württemberg

'Traffic light' parties try to halt the CDU's election juggernaut

Baden-Württemberg election is a cliffhanger, writes Peter Norman

The people of Baden-Württemberg are renowned as solid citizens who avoid public demonstrations of excitement.

But they have turned the forthcoming March 24 election for their new state parliament into a political cliffhanger that could have repercussions beyond the borders of this populous and traditionally prosperous region of south-west Germany.

The poll takes place on the same day as elections in neighbouring Rheinland-Pfalz and Schleswig-Holstein in north Germany. Together, the elections will deliver a mid-term verdict on the government of Chancellor Helmut Kohl at a time of economic weakness and record unemployment.

likely of the three to result in a change of government because neither the Christian Democrats (CDU) nor the Social Democrats (SPD) want their present "grand coalition" in Stuttgart to continue.

The poll could seal the fate of the small liberal Free Democrat party (FDP) - the junior member of Chancellor Kohl's coalition - in its traditional heartland where the party was formed after the second world war. It needs 5 per cent of the vote to continue to be represented in the state parliament.

The elections will also be a barometer of support for the far-right Republican party which shocked Germany's political elite in 1992 by snatching 10.9 per cent of the votes in Baden-Württemberg.

Mr Erwin Teufel, the state's earnest CDU prime minister, is fighting off an unusually robust challenge from Mr Dieter Spöri, the SPD leader and economics minister in the outgoing coalition.

Mr Spöri has put Mr Teufel on the defensive by daring to rattle the establishment consensus on European economic and monetary union and immigration. He says Emu could be a job killer and should be delayed by three or four years. He also wants a drastic reduction in the inflow of ethnic German immigrants from the former Soviet Union.

to join a coalition with the CDU. Recent opinion polls give Mr Teufel's CDU around 43 per cent of the vote. Support for the SPD has fluctuated between 27 per cent and 33 per cent. The Greens have about 14-16 per cent and the FDP around 6 per cent.

The polls suggest that the Republicans would get about 4 per cent of the vote and so fail to make the 5 per cent threshold for seats in parliament.

If the FDP fails to win seats, Mr Teufel's chances of heading a new government will be slim. If the Republicans re-enter, all bets are off. The present coalition partners might then have to re-form a government.

Ethnic German issue strikes poll chord

By Peter Norman

It has been a policy move that likely shocked many and surprised few.

But Mr Dieter Spöri, the Social Democrat (SPD) candidate for prime minister of Baden-Württemberg, is unrepentant over the way that he, Mr Oskar Lafontaine, the SPD chairman, and Mr Rudolf Scharping, the leader of the SPD in the Bundestag, have urged a clampdown on immigration of ethnic Germans from eastern Europe and the former Soviet Union.

that prime minister and economics minister are slugging it out is a reminder that the outgoing CDU-SPD coalition was a forced marriage resulting from the shock success of the Republicans in 1992. Mr Teufel wants to govern alone and Mr Spöri is campaigning for a coalition of SPD and Greens.

The FDP, which has been in opposition in the state for more than 30 years, is prepared

and economics minister in the outgoing coalition.

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If the FDP fails to win seats, Mr Teufel's chances of heading a new government will be slim. If the Republicans re-enter, all bets are off. The present coalition partners might then have to re-form a government.

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Brussels launches fraud inquiry

By William Lewis and Clay Harris

The European Commission has launched an investigation into international fraud and the threat it poses to European Union member states.

The year-long investigation will examine the scale of the problem in Europe and recommend measures to help bring the "billion dollar" problem under control.

The Commission has appointed a team of fraud experts from the accountancy firm Deloitte Touche Tohmatsu International to carry out the investigation.

"International fraud is almost impossible to quantify, but it is certainly costing European Union countries billions of dollars," said Mr Will Inglis, a partner in the firm's UK practice and head of the investigation.

"Fraudsters have become more sophisticated in their techniques and more daring in their targets," he said. "At the end of this investigation we will ensure the European Union is far better equipped to recognise where fraud is prevalent and to bring international criminals to book."

The investigation follows rising concern about fraud and its effect on European businesses in recent years. In particular, fraud experts have warned companies of Mafia groups based in Russia and Eastern Europe.

Mr Inglis says that his team will also look at Nigerian fraud, money laundering and possibly at fraud within the European Commission itself.

Deloitte & Touche say that the investigation will be the most comprehensive examination of "the fraud problem to date". Mr Inglis stresses that the brief is "wide ranging" and that definition of fraud differs greatly within the EU.

"We are going to define what fraud is," Mr Inglis says. "It is amazing how there are different views in different countries on what is improper and represents a fraud."

Turkish minority government wins confidence vote

By John Barham in Ankara

Turkey's new minority conservative government easily won a vote of confidence in parliament yesterday, but only after 80 MPs, mainly from the centre-left Democratic Left party (DSP), abstained from voting.

The new government of Mr Mesut Yilmaz won 257 votes in favour and there were 207 against in the 550-member parliament. Six MPs were absent. Mr Yilmaz only won votes from his Motherland party and his coalition partner, the True Path party of Mrs Tansu Çiller.

Islamist Refah party, the largest in parliament with 158 MPs, and the centre-left People's Republican party with 49 seats.

Abstention by the DSP's 75 MPs, led by Mr Bülent Ecevit, was essential for the government's survival. However, Mr Ecevit, a former prime minister, has warned that he will oppose government actions that "go against our principles".

Commentators fear Mr Ecevit's opposition to privatisation and reform of the deficit-ridden social security system could make it difficult for Mr Yilmaz to adopt economic austerity measures to halt inflation of 78 per cent.



Partners: Mr Mesut Yilmaz (right) cleared yesterday's parliamentary hurdle with the votes of his own Motherland party and of the True Path party of Mrs Tansu Çiller (left)

with laws which could be rejected".

A Motherland economic adviser said the previous parliament had already approved important reform laws, such as a framework privatisation law. Other reforms could be tailored to meet DSP opposition without lessening their effectiveness.

The sale of minority stakes in the telephone system, Turkey's flag ship privatisation project, is stalled until parliament amends privatisation legislation.

In February, the constitutional court accepted an appeal against the law lodged by Mr Mümtaz Soysal, a DSP MP, and struck down several clauses.

Other state companies can still be sold without further parliamentary approval.

Mr Yilmaz must still win parliamentary approval for the 1996 budget. Some Motherland officials fear Refah could mount a sustained, and possibly damaging, opposition to the government's proposals. They fear Refah will attempt

to embarrass the government by blocking funds for individual ministries.

Still, top civil servants in Ankara are hopeful that, with the confidence vote behind him, Mr Yilmaz will fill senior economic posts that remain vacant.

The posts of central bank governor, treasury under-secretary, minister controlling the financial system, and economic co-ordination minister have yet to be appointed. A marriage of convenience, Page 11

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Deal on Slovenia's debts put in jeopardy

By Kevin Done, East Europe Correspondent

The rump state of Yugoslavia - Serbia and Montenegro - is threatening to take legal action to halt a recent landmark foreign debt deal between Slovenia and the London Club of 400 commercial banks.

The western banks yesterday received a letter from US lawyers representing the National Bank of Yugoslavia and three Serbian banks warning them against accepting Slovenian bonds in exchange for part of the former Yugoslavia's commercial bank debt totalling around \$4.1bn.

Slovenian deal breaches the 1989 New Financing Agreement (NFA) - the last debt restructuring deal between Belgrade and western banks before the break-up of Yugoslavia in 1991.

It warns that if the banks go ahead with the deal with Slovenia, which became independent in 1991, the National Bank of Yugoslavia and the Serbian banks will "pursue all remedies available to protect their rights under the New Financing Agreement".

It also threatens that any debt deal with Slovenia in "violation of the rights of the National Bank of Yugoslavia could release the Yugoslav central bank from all its obligations under the NFA."

missed the Yugoslav action, and said that it was pressing ahead with the deal. It is issuing a letter to western banks shortly rebutting Yugoslav claims.

"We don't see any threat that the agreement will not go ahead," said Mr Janez Kosak, vice-governor of the Slovenian central bank.

"We feel confident about the legal structure we have completed and we have the agreement of creditors holding more than two-thirds of the debt."

which is seeking to build an independent presence in the international capital markets.

It is planning to launch its maiden issue in the Eurobond market later this year.

Under the deal, approved by parliament last week, Slovenia is taking over 18 per cent of the total outstanding obligations of former Yugoslavia to the commercial banks, which totalled \$5.576bn at mid-January exchange rates including principal (\$4.396bn) and interest.

It is issuing \$822m of government bonds in exchange for the share of the NFA debt it has agreed with the London Club.

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MEPs attack UK, France on IGC veto

By Neil Buckley in Strasbourg

European parliamentarians yesterday attacked Britain and France for blocking a plan to invite them to take part in negotiations in the forthcoming intergovernmental conference (IGC) on the future of the European Union.

"It is pure hypocrisy for ministers to talk about making Europe more open and democratic, and then to exclude the only democratically elected institution," said Ms Pauline Green, president of the 217-strong Socialist bloc in Strasbourg.

Ms Green said it was important not to repeat the errors of the negotiations of the Maastricht treaty, from which the parliament was excluded. Representation of parliament in the negotiations would give "democratic legitimacy" to the IGC, she said. Ms Green urged British and French citizens to challenge their governments on the issue.

MEPs in Strasbourg will today debate a resolution on their priorities for the IGC, which starts at the end of the month. The British and French prevented a weekend meeting of EU foreign ministers in Palermo from agreeing a compromise, put forward by the Italian presidency, that would have required the parliament to be kept closely informed on the progress of the IGC talks.

The majority of member governments want the parliament to have a role in the IGC. But Britain and France insist that as the IGC concerns negotiations between governments - whose outcome will be ratified by national parliaments - the European parliament does not have a place in them.

Mr Wilfried Martens, president of the Christian Democrat European People's party, the

second-biggest parliamentary grouping with 173 members, said yesterday he was "very disappointed" by the outcome of the Palermo meeting, but had "not lost hope completely".

Mr Martens believed it was vital that the European parliament should be given the right, alongside national parliaments, to ratify the results of the IGC, and any future

"It is pure hypocrisy for ministers to talk about making Europe more open and democratic"

changes to the European treaty - one of the priorities in the parliament's resolution.

In their debate today MEPs will consider a 19-page resolution - plus 230 proposed amendments - including demands for:

- An enhanced role for parliament, with a simplified co-decision procedure giving parliament equal status with the Council of Ministers on legislation where decisions are taken by majority vote.
- One European commissioner per member state.
- The president of the Commission to be elected by parliament.
- European citizenship to be developed complementary to national citizenship.
- The "third pillar" - justice and home affairs issues such as immigration, asylum and drug trafficking - to come under the umbrella of EU institutions.

González gives his blessing to likely successor

By Tom Burns in Madrid

A stable Spanish government headed by Mr José María Aznar's centre-right Popular party (PP) is "possible, desirable and even probable", Mr Felipe González, the outgoing Socialist prime minister, said yesterday.

He was speaking after a 90-minute meeting between the two men which appeared to dispel much of the political uncertainty following the March 3 elections in which the PP won the most seats but fell well short of an outright majority.

Mr Aznar faces tough negotiations with minority nationalist parties to create a governing majority but he is likely, in the end, to create a stable administration.

Mr González said it was the responsibility of the PP, as the largest party, to form the government and that the new administration should remove the spectre of political instability by serving out its full four-year term.

Mr González, prime minister for more than 13 years, looked relaxed after the meeting and almost seemed to be looking forward to a spell in opposition.

He said his Socialist party, which won 141 seats to the PP's 156 in the 350-member parliament, would oppose Mr Aznar when he sought the confidence of the house in an investiture debate next month but would not be "an obstacle" to support by other parties for a PP government.

Mr Aznar who held a separate press conference in the grounds of the Moncloa Palace, the official residence of Spain's prime ministers where the meeting took place, said his talks with the nationalist



González (right) and Aznar after talks in Madrid yesterday

parties were "on the right track, looked reasonably encouraging and had their own rhythm".

The PP has begun negotiating the framework of an alliance with the Catalan and the Basque nationalist MPs in the Madrid parliament and Mr Aznar is now preparing for meetings with the leaders of both groups later in the week.

The 21 seats that the two nationalist parties have between them in parliament would ensure an outright majority for the centre-right.

Warsaw to guarantee third-party grid access

Poland plans power sell-off over 7 years

By Christopher Bobinski in Warsaw

Most of Poland's electricity generating and distribution sector should be in private hands within seven years, the government said in a white paper yesterday.

"We need to privatise to keep energy prices from growing too fast, to obtain capital for modernisation and to get access to technical know-how and management skills," Mr Klemens Sclerski, the industry minister, said yesterday.

He added that around \$50bn was needed to be spent over 15 years to modernise the pollution-ridden industry, half of whose 33,000MW of capacity needs to be replaced.

The Industry Ministry is in the final stages of choosing an adviser for the privatisation of the 2,740MW Palsow-Adamow-Konin (PAK) generating complex in western Poland which provides around 10 per cent of the country's power.

This is seen as a pilot privatisation along with the sale of two regional distributors, ZE Gliwice in the industrial district of Silesia and ZE Poznan, in the west of the country.

The overall privatisation scheme - broadly modelled on the UK power sector privatisation - comes as parliament is debating a delayed move to set up a regulator for the industry.

The government intends that privatisation ensure the principle of third-party access (TPA) to the national electricity grid and its network of gas pipelines, allowing all producers to use the energy distribution system on equal terms.

Mr Zbigniew Bicki, the head of the Polish Power Grid Company (PSE), which buys power from generators and distributes and sells it to 33 regional distribution companies, said yesterday the proposed reforms "could not be implemented" if the TPA principle was voted out of the draft energy law.

TPA is opposed in parliament by the gas lobby which fears competition from future supplies of Russian gas and more coverly by sections of the power industry fearing that the introduction of competition will lead to some of the companies folding.

Under the proposed changes, PSE would manage the distribution system but cede its wholesale functions to the distributors, and to the energy brokers who are expected to appear as a free market in electricity develops.

The PSE is also to be privatised.

The white paper envisages the formation and privatisation of 5-10 groups of power producers augmented by smaller local generators from among the 62 existing power and heat and power plants.

These companies would sell power to regional distributors and directly to large customers. PSE initially would handle exports and imports through Poland's links established last year to the western European grid.

France's Post Office tries to deliver change

Andrew Jack reports on how an old institution is drawing criticism for experimenting with services

Mr Jacques Lenormand, deputy managing director of the French Post Office, has no difficulty remembering the exact date four years ago when a last-minute political manoeuvre scuppered his revolutionary plans to launch an interest-bearing current account.

The details of "Liberté" had been finalised, and the advertising campaign was ready. "I had left for my skiing holiday in Val d'Isère when I was interrupted," he recalls. The posters on his wall are all that remains of the idea, quashed by ministers at the last minute.

The incident highlights the Post Office's growing interest and record of innovation in the field of financial services, and the often effective counter-attacks from its banking and insurance competitors.

Mr Lenormand shows no sign of giving up the struggle. Last year, he laid the foundations for a sharp growth in the sale of life assurance policies, signing contracts with Assurances Générales de France to complement the scheme available through its branches already provided by Caisse Nationale de Prévoyance.

He is currently in the process of finding and training 400 new financial advisers. He is developing ways to attract more business clients, stressing the sophisticated treasury management and money transfer facilities of the Post Office.

For the future, he is experimenting with innovative services such as selling postage stamps through cash dispensers. He is also considering ways to boost the volume of loans offered to individuals, including more at variable interest rates.

Each such step will further irritate France's other financial institutions, which claim that the Post Office has benefits from tax deductions and fewer regulatory controls than its rivals. They say its network of more than 14,000 branches and its reputation for trustworthiness give it a competitive advantage.



From delivering letters to competing with the leading banks

has been intensifying in other areas. He rejects his competitors' claims about unfair advantages. He admits that the Post Office pays 15 per cent of the level of "professional tax" levied on companies for its branches, but says the FF1.2bn (\$230m) annual saving is more than consumed in FF3bn in subsidies to keep loss-making branches in small communities open.

He says 90 per cent of branches are in settlements of fewer than 5,000 people - one branch had turnover of just FF47,000 (\$8,064) in 1994. The Post Office has pledged to close no branches, at least until the end of next year when its charter with the state comes up for renegotiation.

The French association of insurance companies has pursued the French government in the European Court of Justice on the subject - despite the fact that Mr Lenormand says that Mr Lenormand signed an accord until the end of this year with the body agreeing not to sell non-life insurance policies in its branches. He says there is "no project yet" to change tack after 1996.

Countering the banks' arguments that the Post Office does not have to follow the same prudential ratios against lending, he stresses that the institution is forbidden from making commercial loans. All it

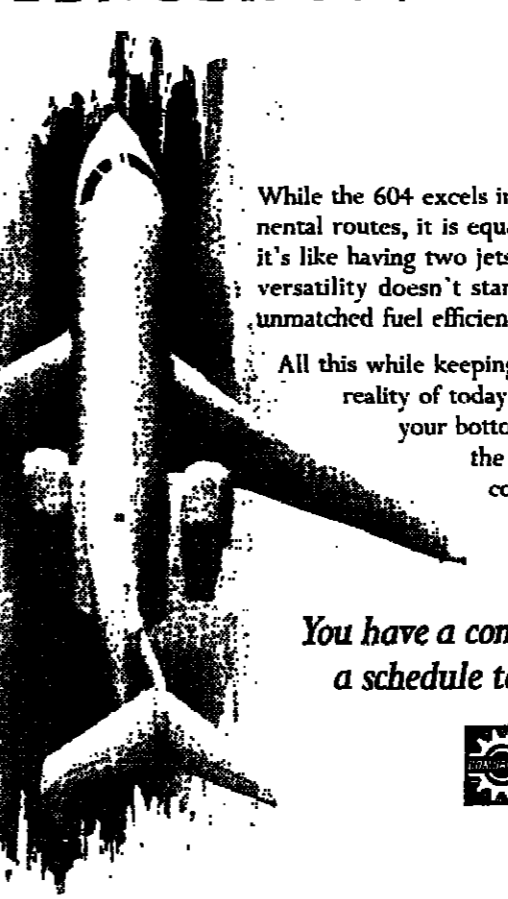


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Foreign investors put record \$90bn into poor nations

By Robert Chote, Economics Editor

Foreign direct investment in developing countries rose to a record \$90bn last year, offsetting a decline in passive portfolio investment, according to the World Bank's latest annual World Debt Tables.

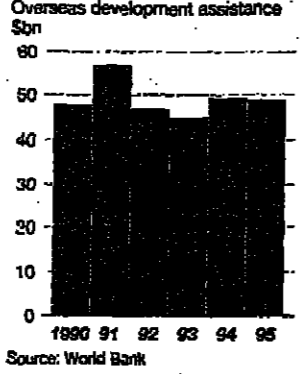
Foreign direct investment accounted for 54 per cent of private capital flows into developing countries last year, up from 50 per cent in 1994. It has grown steadily in importance during the 1990s, driven in part by the opportunities to invest created by privatisation.

Total net resource flows into developing countries rose by nearly 12 per cent last year to \$231bn, Mr Michael Bruno, the World Bank's chief economist, said that private investment flows had been resilient in the aftermath of the Mexican crisis, especially in countries where the markets had confidence in economic policies.

But one consequence of the crisis was a dramatic shift in the destination of private capital flows. East Asia and the Pacific lifted its share of total capital inflows from 41 per cent in 1993 to 59 per cent in 1995. Latin America and the Caribbean meanwhile saw its share decline from 38 to 20 per cent over the same period.

The World Bank said that the outlook for sustained private capital flows remained bright, despite the fact that portfolio investment in the shares of developing nation companies had halved since 1993. Private flows will be sustained by globalisation of pro-

Developing countries debt



Source: World Bank

duction, sound economic policies in recipient countries and the desire by institutions in industrialised countries to diversify investments geographically.

Commercial banks were another important source of the rise in private capital flows to developing countries last year. Their contribution rose from \$9.2bn (\$14bn) in 1994 to \$17.1bn in 1995.

The World Bank warned that the optimistic outlook for private flows did not apply to official aid. These flows fell by 6 per cent in real terms in 1994, taking the proportion of industrialised country national incomes spent on aid to less than 0.3 per cent.

The value of external debt held by developing countries rose by 8 per cent last year, driven by the big inflow of private financing and the Mexican rescue package. However, the burden of debt declined in most regions because of rapid export growth.

Israel attacks UK Palestinian charity

By Julian Ozanne in Tel Aviv and Clay Merris in London

The Israeli government yesterday stepped up pressure on Britain to crack down on Palestinian fundraising.

Israeli military intelligence claimed that Interpal, a UK-based charity whose bank accounts were frozen last week by the Charity Commission, masterminded the fund-raising for the Hamas Islamic movement in Europe. Israeli police, meanwhile, released documents about financial support given to the families of three Hamas military activists by two Nazareth-based charities which they claim are funded by Interpal.

A senior military officer said Interpal, also known as the Palestinian Relief and Development Fund, raised money exclusively for Hamas institutions and directly provided support to

families of Hamas guerrillas and suicide bombers.

"Interpal is the main source of funds for Hamas outside the [Palestinian] territories," he said.

In London, Mr Abdul Rahman Daya, Interpal chairman, said: "What is their proof? I don't know what they are talking about. I don't know what the Israelis are trying to achieve."

Charity Commission officials will today visit Interpal's offices in north London to study its records. After a meeting with Interpal trustees yesterday, the commission said: "The charity can continue to function and fund projects undertaken on their behalf by various Palestinian charities." For the time being, all spending must be approved by the commission.

The Israeli military officer alleged that Interpal was directly connected to the Finance Committee of Hamas, which decides the expenditure priori-

ties of the movement together with the Internal Committee, and gave directions to other Hamas fund-raising groups in Europe. "All the European funds are co-ordinated by Interpal," he said.

Mr Daya described this contention as " rubbish". Last week police named Interpal and Al Aqsa, based in Germany, as the source of funds to Mr Suleiman Agbariah, who has been placed under house arrest by Israeli authorities and had his telephone cut off pending the results of an investigation.

Police say they have more than 80 cases proving that Mr Agbariah's charities - the Islamic Salvation Fund and the Islamic Rescue Fund gave money directly to the families of Hamas guerrillas. They provided documents from three cases which they allege prove a link between Mr Agbariah and his

charities with known activists in the Izz al-Deen al-Qassab Brigades, the military wing of Hamas which has claimed responsibility for recent suicide attacks in Israel.

Mr Daya said neither organisation appeared in Interpal's own records or bank records.

The documents, written in Arabic, are application forms filled out by the families of Hamas "martyrs" seeking aid from Mr Agbariah's funds. All three are from families of young men who died in Hamas military activities.

One application came from the mother of 20-year-old Iman Salah Ahmad Atallah, who died in a suicide mission in Gaza in 1993, in which two Israeli soldiers were killed.

Police say in all cases money was approved from Mr Agbariah's charities, often more significant sums than recommended by charity field workers in the documents.

The intelligence officer said Israel had material evidence that some of the money sent by Interpal to registered schools, clinics, orphanages and welfare societies had been diverted to the families of Hamas guerrillas.

In London, Mr Daya, when asked if any of the 36 charities which Interpal funds were linked to Hamas, said: "Maybe." Interpal did not screen recipients to exclude those with links to Hamas activists. "A poor family is a poor family," Mr Daya said. "We do not check on why the family has been made poor."

The Israeli officer said it was impossible to divulge material evidence because it would put informants at risk. But he said evidence had been passed to the UK government and other European countries which proved the link between the European charities and funding of the Hamas military campaign.

Israel's right unites against Peres

By Julian Ozanne and Avi Machlis in Jerusalem

Mr David Levy, Israel's maverick rightwing politician, yesterday withdrew from the race for prime minister and joined a single, unified rightwing bloc against Mr Shimon Peres, the prime minister, and his Labour-led government in May elections.

The agreement leaves Mr Benjamin Netanyahu, leader of the rightwing Likud party, as sole challenger to Mr Peres and will considerably boost the electoral chances of the right wing, which opposes the government's Middle East peace policies.

The formation of a single rightwing bloc is a further blow for the peace process and for Mr Peres, who has taken a hammering in recent opinion polls following a wave of islam-



Levy (left), Netanyahu (centre) and Eitan shake on their alliance

ist suicide bombings in Israel. Mr Othman Ben-Jeloun, one of Morocco's leading businessmen, its strong operating performance since privatisation last year has not gone unnoticed by foreign banks and institutions.

The bank counts Citibank, Commerzbank, Deutsche Morgan Grenfell, Mr George

Soros's Quantum Emerging Growth Fund, Morgan Stanley Asset Management and the Framlington Maghreb Fund among its shareholders. "The GDR offering will allow the bank to expand its foreign investor base," said one analyst. "BMCE's \$50m offering reflects the increasing interest

in Morocco among international investors, attracted by the country's political stability and the success of its privatisation programme."

Since 1993, the government has raised about \$970m from state asset disposals, of which about one third came from foreigners through portfolio or direct investment.

UV radiation hits record high level in northern world

By Clive Cookson, Science Editor

Ultraviolet radiation from the sun reached a record intensity for the time of year over parts of the northern hemisphere this month.

Separate announcements yesterday by the World Meteorological Organisation in Geneva and the UK National Radiological Protection Board show that destruction of the protective ozone layer by man-made chemicals in the upper atmosphere is worsening. For the first time, this is leading to a large increase in the amount of ultraviolet radiation on the ground.

Since mid-February, satellites and ground stations in the WMO Global Ozone Observing System have measured ozone depletion of up to 45 per cent - the lowest ozone levels ever recorded - over the sub-polar region from Greenland and Scandinavia to western Siberia. Ozone destruction of 20 to 30 per cent extended over a wide area of the northern mid-latitudes, including the British Isles.

Announcing the results, Professor Roger Clarke, the National Radiological Protection Board's director, said: "This is the first occasion on which we have measured significantly higher than normal levels of solar UV at ground level in the UK. It is likely that depleted ozone levels in the atmosphere and clear weather conditions over this period are responsible."

Scientists say the radiation levels last week were typically seen in late April when the sun is much stronger. "These increased levels... are not considered to represent a significant health hazard since they are short-term and only contribute a very small amount to the annual UV dose," said Prof Clarke.

Ozone depletion is a seasonal phenomenon, starting when the upper atmosphere is coldest in mid-winter and finishing in late spring. There has been no clear evidence of increased ultraviolet radiation during the summer, when it would do the most damage.

But the new readings are likely to increase pressure for more cuts in the production of ozone-depleting chemicals.

Moroccan bank blazes securities trail in N Africa

By Antonia Sharpe

Morocco yesterday opened up further to international investors when Banque Marocaine du Commerce Exterior (BMCE), the country's second-largest bank, became the first North African entity to launch an offering of global depositary receipts.

Analysis said BMCE was an ideal trail-blazer for North African GDRs because it was one of the best known banks in the region.

GDRs, which represent an interest in the shares of the issuer, are mainly bought by foreign investors who want exposure to an emerging economy but who do not want, or

are not allowed, to deal directly in that country's stock market.

The instruments meet their needs because they are denominated in dollars and are cleared through multinational clearing houses such as Cedel and Euroclear. They are mainly traded in London, where they are listed.

Although BMCE is controlled by Mr Othman Ben-Jeloun, one of Morocco's leading businessmen, its strong operating performance since privatisation last year has not gone unnoticed by foreign banks and institutions.

The bank counts Citibank, Commerzbank, Deutsche Morgan Grenfell, Mr George

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NEWS: WORLD TRADE

Philippine plastics proposal dropped

By Edward Luce in Manila and Jenny Luesby in London

Mitsui of Japan has scrapped plans to build a 3,450t ppsu (\$130m) polypropylene plant in the Philippines because of government plans to halve petrochemical tariffs.

The company had planned to start production at a 120,000-tonne-a-year plant in Bataan Province by 1998. But the tariff cuts, before Congress as part of a long-delayed oil liberalisation programme, meant the project was no longer viable.

Mitsui is one of several companies which have been lobbying for tariffs of 30-30 per cent to create a level playing field with protected producers in Indonesia, Singapore and Thailand.

In Thailand, tariffs on plastics are 30 per cent, while in Indonesia, the petrochemicals industry is protected by a 20 per cent tariff and a 20 per cent import surcharge. However, the tariffs in the Philippines will now fall to 10 per cent.

This comes amid concerns that the Philippines' plastics market will become flooded within the next three years as local production takes off.

The country at present relies on imports for all its polypropylene and polyethylene. But a new petrochemicals complex in Bataan has drawn proposals for four plastics plants, apart from Mitsui's.

Division over restrictions on foreign ownership complicates WTO talks

EU split over liberalising telecoms

By Guy de Jonquieres

The outlook for World Trade Organisation talks on liberalising basic telecommunications was thrown into uncertainty yesterday by a split between European Union governments over whether to improve the EU's negotiating offer.

Trade diplomats in Geneva said the dispute threatened to slow the negotiations by discouraging other WTO members, particularly developing countries, from making the concessions needed to conclude a deal by the end of next month.

"This will certainly complicate the negotiations," one diplomat said. "It will make a lot of people nervous and push everything much closer to the deadline for an agreement."

The dispute was triggered by a European Commission proposal that the EU should offer WTO members a liberalisation package which would go further than the EU's own plan to open its telecommunications market to competition in 1998.

The proposal would require Belgium, France, Italy, Portugal and Spain to abolish restrictions on foreign ownership of their telecommunications industries. These restrictions are scheduled to continue beyond 1998.

Spain would also lose its hard-fought right to delay liberalising its telecommunications market until 2003, while Belgium would have to scrap a requirement that applications for radio communications licences meet an "economic needs" test.

At a meeting of EU officials yesterday, Spain flatly rejected the commission proposal,

Mr Malcolm Rifkind, Britain's foreign secretary, yesterday backed the development of regional trade arrangements, saying they would strengthen the World Trade Organisation and contribute to the achievement of global free trade, writes Guy de Jonquieres.

Mr Rifkind noted concerns that regional initiatives detracted from efforts to liberalise at a global level. However, he said: "What I do not accept is that there is a single path towards global free trade, that effort made outside the

regional and Spain to abolish restrictions on foreign ownership of their telecommunications industries. These restrictions are scheduled to continue beyond 1998.

Spain would also lose its hard-fought right to delay liberalising its telecommunications market until 2003, while Belgium would have to scrap a requirement that applications for radio communications licences meet an "economic needs" test.

At a meeting of EU officials yesterday, Spain flatly rejected the commission proposal,

WTO is effort wasted. I am convinced that regional initiatives, if they are compatible with WTO rules, are a vital building-block to wider progress," he told the British-American Business Council in London.

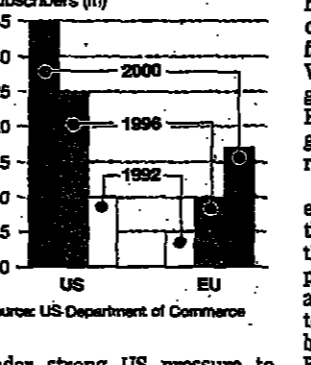
Mr Rifkind said last year's US-EU agreement on an action plan to liberalise transatlantic trade promised to achieve substantial economic benefits. But he said both sides must ensure that their relationship remained outward-looking and open to the rest of the world.

while France and Belgium said it was politically difficult to accept. However, it was broadly backed by Britain, Germany, the Netherlands and the EU's Nordic members.

Though the proposal will be discussed by EU officials at two further meetings this week, opponents are expected to insist that no decision be taken before the next EU foreign ministers' council meeting on March 25.

"The stage is now set for a big row in the council," one EU government official said. The Commission has been

US-EU telecoms markets



Source: US Department of Commerce

developing countries is vital to achieve an agreement. But though the Commission has said its proposal would be conditional on winning satisfactory concessions from other WTO members, several EU governments have accused Brussels of wanting to give ground before it is sure of receiving anything in return.

Some EU governments expressed surprise yesterday at the unorthodox way in which the Commission made its proposals. They were circulated as a draft negotiating offer, faxed to national capitals on Monday by Mr Karl Falkenberg, the EU's chief negotiator in the WTO talks.

Some officials suggested that the Commission hoped that by publicising its proposals, it would put pressure on opponents to budge. However, others feared that uncertainty about the EU's position would reduce chances of progress in the WTO negotiations, which are due to resume on Monday.

The talks involve 48 WTO members, which together account for about 90 per cent of the world's telecommunications traffic.

Call for US tariff law renewal

By Nancy Dunne in Washington

Bipartisan groups of US Senate and House members are calling for swift renewal of legislation which cuts tariffs on imports from developing countries.

Renewal of the US Generalised System of Preferences, which lapsed on July 31 1995, is contained in a provision of the "balanced budget" bill over which the White House and Congress are still at odds. Failure to agree on the budget bill has twice closed government agencies, and a third partial shutdown looms on Friday.

GSP has been strongly supported by Republicans and Democrats, but under current rules must be "paid for" by funds allocated in the budget. The current one-year cost of the GSP is around \$430m. A 17-month renewal is contemplated, backdating the

programme to last July. Senators and House members say failure to renew the GSP is having "severe repercussions" in developing countries as well as for US importers who rely on the programme.

The GSP, launched in 1976, provides duty-free entry to selected products from developing countries, based on the theory that trade opportunities in the US market would be more effective than foreign aid.

The loss of GSP is depriving Mr Mickey Kantor, US trade representative, of one of his tools in push for improvement of workers' rights in developing countries.

Last week he withdrew about \$20m of Pakistan's \$90m trade benefits because of the country's failure to improve child labour conditions. Duty-free status will be denied for surgical instruments, sporting

goods and some hand-knitted carpets, once the programme is re-established.

In a letter to Senator Robert Dole, Republican Senate leader, 18 senators warned that the failure to renew GSP had "very negative foreign policy implications". It "damages US credibility and our positive relationships with these [developing] countries".

Thirteen House members have written to Mr Bill Archer, chairman of the ways and means committee, to warn of a "terrible situation facing small businesses that rely on the GSP".

Many have had to pay duties on raw material imports from long-term suppliers. The letter states that the new tax burden is mounting every month that GSP is not renewed, requiring many small businesses to obtain loans and other credit to pay the taxes.

"Many of these loans are being secured with personal assets. The longer it takes to renew GSP, the more nervous lenders are becoming and the more likely these businesses will have to lay off employees or even close," the letter said.

One such business is Matly Baskets, a small import wholesale company which has had to cut new equipment purchases. Due to the suspension of GSP, the company has not contributed to its pension plan and cut medical benefits for its 10 employees.

Mr John Smith, president of Amoruso of New Jersey, an importer of products used to make hats and coatings, said he had had to port duties ranging from \$40,000 to \$80,000 a month on materials from Argentina.

He was forced to put up his home as collateral for a loan to pay the duties.

WORLD TRADE NEWS DIGEST

Renault signs Brazil pact

Renault, the French motor group, yesterday signed an agreement with the Brazilian state of Parana which could lead to an investment in the region of up to FFy1.8bn (\$890m) over the next few years. Under the deal, the state and other investors will contribute up to FFy1.5bn to the development.

The state of Parana, the regional economic development fund, local banks and other investors will create a pool to control 40 per cent of Renault do Brasil. The parent company will hold the remaining 60 per cent.

In the first stage, Renault do Brasil will invest FFy1.5bn and local suppliers at least FFy300m in building a plant in Curitiba, the state capital, and in creating a distribution network. The state of Parana will also provide financial, fiscal and technical assistance and land.

The plant has a planned production capacity of 120,000 vehicles a year. Construction will begin in the second half of this year and the factory should be operational by 1999 to assemble the new Renault Mégane, and later a second vehicle.

A further investment of FFy1.2bn will be made after 2000 if market growth is adequate. Renault is aiming for a market share of 14 per cent by 2006 in Brazil, more than 2m vehicles a year are sold. It hopes to be able to take advantage of the Mercosur customs union linking Brazil with Argentina, Paraguay and Uruguay to develop its markets in South America.

Andrew Jack, Paris

US order for Saab Aircraft

Saab Aircraft of Sweden has won an order worth \$340m for 50 Saab 340 regional airliners from Mesa Airlines of the US. This is one of the biggest orders won by the Swedish manufacturer since a sharp fall in orders in 1994.

Mesa operates as Northwest Airlines providing a connecting service to Northwest Airlines from 61 US and Canadian cities. The airline has ordered 30 new 240s and 20 used aircraft and taken an option for a further 29 new 340s. The Saabs will replace Mesa's existing fleet of Mairchild Metro and de Havilland Dash 8-100 aircraft.

The Mesa deal increases to 433 the total order book for Saab 340s. It compares with total orders last year of 31, and with just three in 1994. Saab's civil aircraft division made a loss last year, with orders for its newer Saab 2000 aircraft remaining weak.

The Mesa order is a welcome rebound for Saab in North America after the retreat into Chapter 11 status of another of its US customers, Business Express. Hugh Carnegie, Stockholm

Electronic boost for TIR system

More than 30 countries operating the TIR international transit system for lorry freight in Europe have agreed to a common electronic information system to help combat fraud.

The information system will allow consignments to be tracked throughout their journey and should help in the detection of smuggling. Devised jointly by customs authorities and the transport industry and now being tested in several countries, the system is due to be fully operational by May. It will be run by the Geneva-based International Road Transport Union and national associations that guarantee consignments using the TIR carnet.

Under the TIR scheme, which has more than 50 members, sealed trucks are sealed and the TIR carnet allows them to pass national frontiers with the minimum of red tape. The United Nations Economic Commission for Europe, which administers the TIR convention, said yesterday that fraudulent activities much more difficult if not impossible. Frances Williams, Geneva

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Uphill battle for Dole to beat Clinton

By Jurak Martin in Washington

Senator Bob Dole was expected to sail smoothly through yesterday's round of seven Republican primaries but new public opinion polls confirm he can expect rougher waters against President Bill Clinton in the November general election.

A Washington Post/ABC survey yesterday had the president ahead of the majority leader by 56-39 per cent. This is comparable to the advantage he has been given in some other polls, though one this week for Time/CNN had Mr Clinton ahead by a more modest 49-40 per cent.

At least Mr Dole was trailing the president by less than his two remaining primary rivals.

Mr Clinton was given a 61-33 per cent lead over Mr Steve Forbes, the magazine publisher, and was trouncing Mr Pat Buchanan, the conservative pundit, by 65-28 per cent in the Post/ABC poll. With his nomination all but in the bag, speculation is inevitably mounting about Mr Dole's choice of a vice presidential running mate. Equally inevitably, the name mentioned more frequently than any other is retired General Colin Powell, former chairman of the joint chiefs of staff.

The Time/CNN poll adds fuel to the flames by finding a Dole-Powell ticket slightly ahead, by 47-45 per cent, when

matched against Mr Clinton and Vice President Al Gore.

By contrast, Mr Dole loses when paired with two other possible selections, popular big state governors Christie Whitman of New Jersey and John Engler of Michigan. Clinton-Gore beats Dole-Whitman 51-40 per cent and Dole-Engler 50-38 per cent.

Mr Buchanan has repeatedly warned that Gen Powell's presence on the ticket will cause both anti-abortionists and doctrinaire conservatives to bolt the party. However, the polling evidence is that their loss would be more than offset by the addition of moderate Republicans, independents and some Democrats attracted by Gen Powell.

But Mr Powell has shown no signs of going back on his promise not to seek national office this year. That has promoted speculation that the majority leader might explicitly offer him the position of secretary of state in a Dole administration.

Another vice presidential possibility being touted in conservative circles is Congressman John Kasich of Ohio, energetic chairman of the House budget committee. At 43, he would bring youth to a ticket likely to be headed by a 72-year-old and would also add a reformist element not very pronounced in Mr Dole himself.

Falklands fishing fee refunded

By Matthew Doman in Buenos Aires

British fishing authorities have refunded a £70,000 (\$110,000) licence fee charged last week to an Argentine-registered, US-owned vessel for fishing around South Georgia in the south Atlantic.

The refund, and the withdrawal of the vessel from the territorial waters of the uninhabited UK dependency, should ease recent stresses in Argentine-British relations which worsened when Argentina protested at the fee on a vessel carrying its flag.

The move was seen by the Argentine government as representing a hardening of British attitudes towards Buenos Aires' claims to sovereignty over the islands and threatened to derail talks on fishing co-operation in disputed waters around both South Georgia and the Falkland Islands.

The British Embassy in Buenos Aires said the fee was refunded at the request of the Seattle-based company, American Sea Food, which had decided to withdraw its vessel, Atlantic III, from South Georgia waters.

Tough anti-Cuba law signed in US

By Nancy Dunne in Washington and Stephen Fidler in London

President Bill Clinton yesterday signed into law tough new legislation which he said would send a "powerful, unified message to Havana" by discouraging foreign companies from doing business in Cuba.

The legislation, driven by outrage over Cuba's downing of two civilian aircraft two weeks ago, allows Cuban Americans, whose property has been expropriated by the Cuban government, to sue in US courts foreign companies benefiting from the property. Foreign nationals "trafficking" in such property could be denied entry into the US.

Mr Clinton yesterday had the families of the downed pilots on hand to witness the bill's signing. "In their memory I will continue to do everything I can to help the tide of democracy that has swept our entire hemisphere finally reach the shores of Cuba," he said.

The legislation was sponsored by Senator Jesse Helms, long-time anti-communist and chairman of the Senate foreign relations committee, and Congressman Daniel Burton, chairman of the western hemisphere subcommittee.

The bill had been blocked by a filibuster until the shooting



Jesse Helms: anti-communist architect of the legislation

down of the jets. The legislation has brought protests from the US's closest trading partners, including Canada and the European Union. But Mr Marc Thiessen, a spokesman for Mr Helms, said: "The EU, instead of crying and moaning, should re-examine what it's doing. The time for appeasement to Havana is over."

Driven by election year politics, Mr Clinton agreed to sign the legislation after negotiating for the right to suspend

the provision allowing lawsuits. He can only waive it for six months at a time and he must declare the suspension to be both in the national interest and necessary for boosting democracy in Cuba.

If he does not use his waiver powers, about which he must make a declaration by July 15, the right to sue will become effective on August 1.

Mr Thiessen said the legislation would create "a legal minefield" for those companies doing business in Cuba.

Mr Tod Malen, executive director of the Washington-based Organisation for International Investment, said that the legislation put foreign-owned companies with big investments in the US under great threat from lawsuits.

"We'll be organising ourselves to try to encourage the president to use his suspension authority and to get regulations implemented which have the lowest possible impact on companies here," US lawyers said much of the

ambiguity of the legislation would only be resolved by the courts. Mr John Coogan, a lawyer at Cole Corbett and Abrutyn in Washington, said companies doing business in Cuba could be liable to damages as high as four times the value of the property as certified by the US Foreign Claims Settlement Commission. The courts would have to decide whether the operation of a subsidiary in Cuba would taint an entire multinational corporation.

He said there were 3,911 certified expropriation claims, of which some 700 to 800 might qualify for the right to bring a private lawsuit. However, non-US claimants could transfer their claims to US corporations meaning "the universe of potential new claimants is larger than simply the Cuban-American community presently residing in the US".

The act allows US nationals to settle lawsuits by accepting an interest in the appropriated property. The effect of this is "to grant private US nationals a unilateral right to lift the US embargo against Cuba on a case-by-case basis", he said.

Some governments are studying retaliation if their businessmen are refused US visas. "US executives could quickly find themselves getting barred from other countries. This could escalate into a little visa war," said Mr Malen.

Anglophones in Quebec take to their heels

Bouchard makes it clear his independence dream has not been abandoned, says Bernard Simon

The Centaur Theatre in historic Old Montreal is one of the few places in Quebec where English still appears above French on public signs. It was thus fitting that Mr Lucien Bouchard, the province's premier, came to this landmark of Quebec anglophone culture on Monday evening to try to steady the nerves of English-speaking Québécois.

Mr Bouchard himself accurately described the anxieties that have pervaded the 15 per cent of Québécois whose home language is not French since his secessionist forces came within an ace of winning an independence referendum last October 30.

"Many feel that the unthinkable is now possible and they are convinced that Quebec will soon be sovereign," he said. "Many are preoccupied about their future, individual and collective."

Evidence of those anxieties is not hard to find. The snow-covered lawns of Montreal's English-speaking neighbourhoods are dotted with For Sale signs. The talk at dinner parties is of moving "down the 401" the highway that links Montreal and Toronto. A growing number of English-speaking university students plan to leave Quebec after graduation.

Until the mid-1970s, much of Quebec's economy was in English-speaking hands, with francophone Québécois typically confined to blue-collar jobs and the civil service. Such bastions of English-speaking business as Canadian Pacific and Alcan Aluminium still have their head offices in Montreal. But much has changed since the "quiet revolution" which brought French into the boardrooms and spawned a more assertive strain of Quebec nationalism.

The separatist Parti Québécois, which took office for the first time in 1976, unsettled French as the province's official language. Montreal's famous delicatessens could no longer put up English signs. Newcomers found it difficult to enrol their children at English-speaking schools.

The vast majority of anglophone Québécois are now bilingual. "We live side by side," says a judge who attended Mr Bouchard's speech. "But we don't know each other; we don't communicate with each other."

The referendum outcome has not only renewed old anxieties, it has spawned a more radical and outspoken element in the anglophone community.

One especially contentious idea is that English-speaking areas, notably parts of Montreal and the area around Ottawa, should themselves break away if Quebec opts for independence. Some 1,400 people attended a public meeting last month to consider the topic: "If Canada is divisible, then so is Quebec."

The federal government in Ottawa initially encouraged the idea, but pulled back when it threatened to inflame emotions in both the federalist and separatist camps.

Mr Bouchard made some moves to reach out to his audience on Monday. He urged them "to engage in a dialogue", and noted that many of their concerns, such as the quality of healthcare and funding for cash-strapped cultural institutions, were much the same as those of French-speaking Québécois. Several of his ministers were on hand to mingle with the crowd before and after his speech.

Premier fails to steady the nerves of Quebec's English speakers

But the premier also had a more sombre message. He noted that the recent talk of partition "shifts our differences from the democratic plane to another one, one that is much more disturbing".

He left no doubt that the campaign for what anglophones fear most - Quebec independence - would not be abandoned. Forgetting about sovereignty, he said, "would be tantamount to saying: forget about hoping for spring".

Some anglophone leaders have pinned their hopes on Mr Bouchard's reputation as a pragmatic politician. They have been encouraged by his promise to put economic renewal, especially in Montreal, ahead of a renewed drive towards independence for the time being.

But the cool, if polite reception they gave Mr Bouchard on Monday showed that their fears have by no means been allayed. Mr Maurice Podbury, the Centaur's artistic director, said that "agreeing to disagree is a luxury that time will no longer allow".

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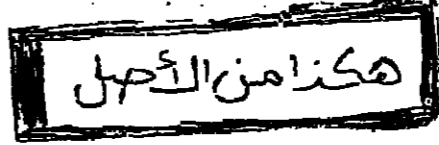
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Loyalist leaders give retaliation warning

By John Kampfer in London and John Murray Brown in Dublin

The British and Irish governments last night faced the prospect of a serious escalation in paramilitary violence as loyalist leaders warned the IRA they would retaliate to each bombing "blow for blow".

A cemetery in the west of London early last Saturday - the third explosion in London in as many weeks. Three people have so far died, although no-one was injured in the latest attack.

The IRA admission was likely to put further pressure on Mr Gerry Adams, Sinn Féin president, who left yesterday for the United States. The Clinton administration has forcefully condemned the resumption of IRA violence.

The Combined Loyalist Military Command said: "We have withstood the recent provocation of IRA bombs on the mainland which have killed our innocent British fellow citizens. These atrocities cannot be permitted to continue without a telling response from this source."

The Irish capital was on increased alert last night. Security has been tightened around a number of important locations, among them the Financial Services Centre. A Garda official said security measures were under constant review.

Subsidy for Ulster power company

By John Murray Brown in Dublin

The British government yesterday announced details of a £16m subsidy - the first tranche of a £60m (£92m) programme over three years - to offset the rise in electricity prices in Northern Ireland, which are about 23 per cent higher than the UK average.

The subsidy will be paid to Northern Ireland Electricity to reduce tariffs by about 3 per cent, bringing the current electricity price rise down to about 2.3 per cent for 1996-97.

The move was cautiously welcomed by Ofgem, the Northern Ireland electricity regulator, and follows a report by MPs last December which was critical of NIE, the privatised utility which is the province's power distributor and biggest company.

The local electricity users' committee said, however, that "temporary subsidies from taxpayers will not solve our price problems".

Irish trade boom reaps peace dividend

By John Murray Brown in Dublin

The Republic of Ireland last year overtook Italy to become the UK's sixth most important trade partner, in further evidence of the business impact of the Northern Ireland peace process.

Two-way trade was up 15 per cent to £14.5bn last year, according to the latest UK figures. Trade was almost in balance in 1994, but moved back in the UK's favour last year.

The results reflect the growing attractions for UK business of the Irish market, where gross national product grew at an estimated 6.75 per cent last year, the fastest in the European Union. The figures underline the continuing importance for the Irish Republic of the British market, in spite of the recent appreciation of the Irish pound against sterling.

This week, as Irish punters flock to Cheltenham for the races, and corporate sponsors brace themselves for the England versus Ireland rugby international at Twickenham, the republic's trade links with the UK look stronger than ever.

The Irish Republic is the UK's biggest market for clothing, footwear and building materials - and only France buys more food from the UK.



Trade winds: As Cheltenham racecourse awaited the influx of Irish punters yesterday, winds damaged the Guinness hospitality area

Irish companies are starting to target the 830,000 Irish-born residents in the UK. Trade officials point to the arrival of the "shibben" pub concept in the UK, the launch this summer of Tara, a privately run cable television channel to beam RTE Irish programmes, as well as the recent move by Mr Tony O'Reilly, the Irish businessman, to print the Irish Independent in the UK for the first time.

Referring to this Irish identity, Mr Pat Maher of the Irish Trade Board in London said: "It used to be the last thing an Irish company wanted to admit to. But now the marketing people say you've got a niche."

The UK historically was Ireland's most important market, having been part of a currency union from 1823 until 1978, when the UK left the European Monetary System. Ireland's big foreign-owned multinational sector accounts for 80 per cent of Irish exports of £22.6bn - 26 per cent going to the UK.

One Irish trade official said: "It's always much sexier to do promotions like Opportunity Europe." Certainly the profit margins of the UK-oriented export sector have been hit by the appreciation of the Irish pound against sterling.

Airports show rise in passenger numbers

By Michael Cassell, Business Correspondent

Airports in the UK experienced a big rise in passenger traffic in February, compared with February last year, providing continuing indications of high levels of economic activity.

slightly down from January it was, however, just over 12 per cent higher than in the same month last year.

rose by more than 13 per cent last month compared with the same month last year.

more than 42 per cent from February last year.

rise. Heathrow saw passenger traffic increase by 9 per cent compared with February last year.

Britain's slowness to cut size of fishing fleet attacked

By Alison Maitland

The UK is lagging behind other EU member states in cutting the size of its fishing fleet and will have to catch up, Ms Emma Bonino, the European fisheries commissioner, said yesterday.

temper with it," she said. The government's white paper says that the policy has been unevenly enforced, is inequitable and has failed to curb overfishing.

She said: "The ruling is positive. It says that any citizen who is the victim of discrimination with regard to Community law has a right to compensation."

Speaking at a press conference transmitted by satellite across the EU, she said British failure to reach the target by the end of the year could lead the Commission to start infringement procedures. This would involve the Commission demanding an explanation from the government and taking the UK to the European Court if it was not satisfied.

The Ministry of Agriculture, Fisheries and Food confirmed that fleet capacity had been cut by only 7 per cent, compared with the 19 per cent cut required between 1992 and the end of this year.

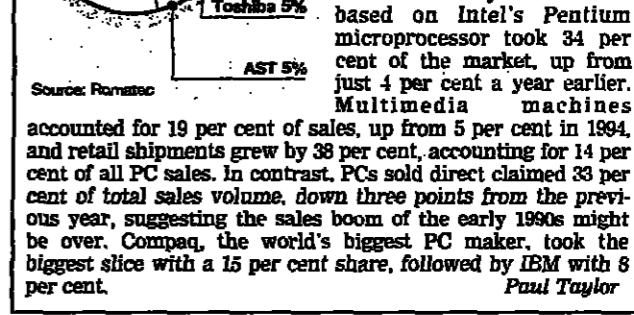
Virgin and BA settle in UK

British Airways said yesterday that it had settled its alleged "dirty tricks" case with Virgin Atlantic in the UK, with Virgin agreeing to pay BA a net £138,000 (£303,490). The two sides said last year that they would each pay a proportion of the other's costs. After deducting a percentage of its own costs, Virgin will pay BA £296,000 plus interest. The two airlines announced last year that they had settled the UK part of their case, with BA agreeing to pay Virgin damages of £285,000. This leaves Virgin paying £138,000. Virgin said the costs were far lower than the £750,000 that BA estimated last year.

Aide says she respected Nadir Mrs Elizabeth Forsyth, an aide to Mr Asif Nadir, had no reason to doubt the honesty of the former Polly Peck chairman, she told an Old Bailey jury yesterday. Giving evidence at her trial, Mrs Forsyth said she got on "very well" with Mr Nadir. "I respected his business acumen. He was a workaholic. His only interest was his company Polly Peck," she said.

British bankers are determined to press ahead with plans for installing electronic chips on their payment and credit cards, even if declining losses from fraud have reduced the potential gains to be reaped from improved security.

Computer market up 21% The UK market for personal computers grew by 21 per cent to more than 2.5m machines last year and the value of PC shipments rose by 24 per cent to more than £4.5bn, according to Romtec, the market research company based in Maidenhead, Berkshire.



IGC paper 'defends British interests'

By John Kampfer, Chief Political Correspondent

The mildly Euro-sceptical hard-line UK government white paper on Europe increases the chances of a stalemate in the coming intergovernmental conference and could lead to a political crisis later this year, according to senior diplomats in Brussels, Lionel Barber writes.

refusal to incorporate the social chapter on EU employment rights into the new treaty. In the event of a collision this autumn, one option being canvassed in Brussels is to suspend IGC negotiations until after the UK general election which must take place by May 1997.

European Court of Justice. On the day the government lost the first round of its challenge on a Euro-directive setting out the right to a maximum 48-hour week, critics of the court in the white paper appears mild. It notes that the UK was referred to the court on average five times less often than its neighbours.

exclusive policy which would replace national foreign policy. Where specific British interests are at stake we shall insist upon retaining our freedom of action." Nato remains the keystone of European security.

Employment. It is no secret that other member states wish to see the UK's social chapter opt out removed at the IGC, the paper states. It sets out what the government sees as the benefits to business competitiveness of going it alone on employment rights, and concludes: "The UK will not give up its opt-out and cannot be forced to do so."

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BUSINESS AND THE ENVIRONMENT

Two documents issued recently on either side of the Atlantic - by Tony Blair, the British Labour party leader, and by President Bill Clinton's Council for Sustainable Development - have a similarly green hue to them.

The first is a pre-electoral speech made last month on what Labour would do for the environment if it comes to power. The second, a strategy for the pursuit of environmentally-sustainable development into the next century, was approved by the US president last week. Their common premise is that "greener" can mean "richer": environmental protection is fully compatible with a thriving economy and social justice. Despite the Labour leadership's habit of seeking advice from US Democrats on how to get elected, Frank Dobson, Labour's spokesman on the environment, says any similarities between the two programmes are "purely coincidental".

The "green" vote in both countries, however, makes it perfectly sensible for Labour and the Democrats to position themselves as the environmentally-friendly party in elections due this year in the US and by spring 1997 in Britain.

Environmentally-sustainable development is a notion to which both President Clinton's current administration and the Conservative government in Britain have already subscribed in theory.

But while skirting around potential problems, both Labour and the Council, which includes four Clinton cabinet members as well as businessmen and environmentalists, have sought to take it forward in practice.

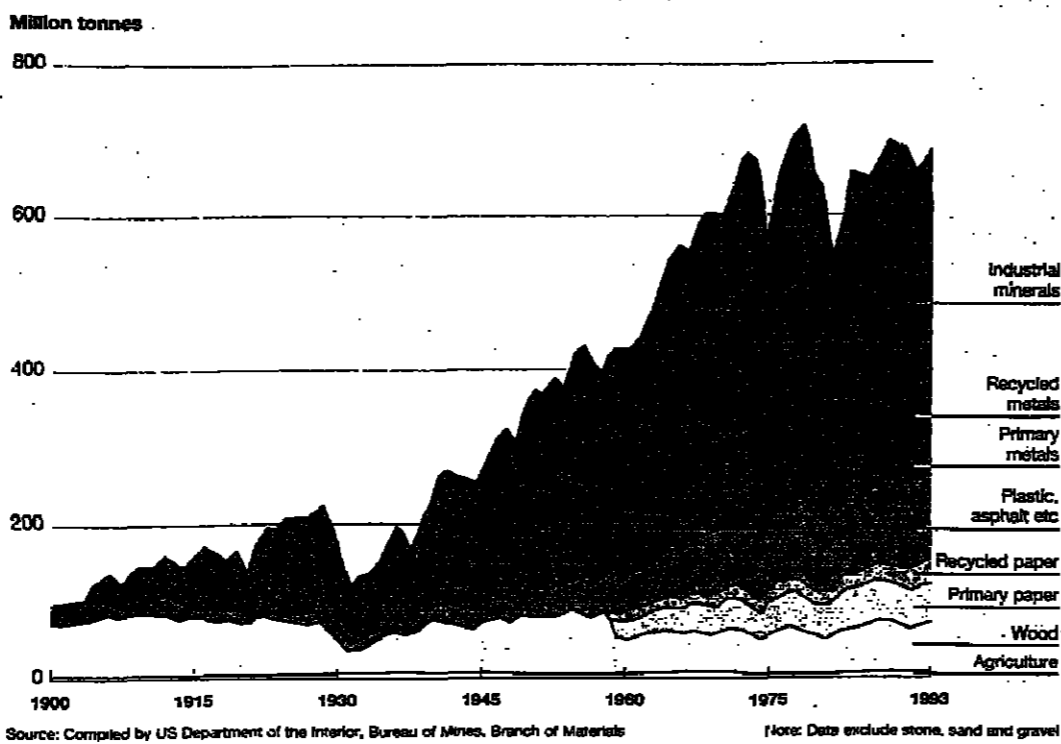
The common features of their new programmes for sustainable development are:

- A stress on social justice - or, as the more cautious US report puts it, equity in pursuing environmental improvements.

According to the US report, "sustainable development can remain remote and theoretical unless it is linked to people's day-to-day lives and seen as relevant to fundamental needs such as jobs, clean air and water and education". Like Labour, the president's Council goes on to stress the benefits of local community action to solve environmental problems. It also details how a number of such projects have worked in the past and suggests ways of stimulating them in the future.

But it avoids specific Labour-style commitments on how environmental justice can create the economic benefits that Blair says are necessary to "take people with" the environmentalist cause. Eager to distance himself from Labour's traditional fears that the environment is bad for employment, Blair promises to create up to 50,000 jobs through a programme to promote

Total US materials use



Source: Compiled by US Department of the Interior, Bureau of Mines, Branch of Materials (Note: Data exclude stone, sand and gravel)

Common agenda

Bill Clinton and Tony Blair have just issued green documents with a similar hue, writes Leyla Boulton

energy efficiency in the home. He does not say how this will be financed although Dobson suggests funding from a future windfall tax on electricity companies.

As the multitude of examples given in both documents suggests - from British towns' schemes to reduce car use to Oregon's attempts to devise new environmental indicators - local initiatives can be far more effective in creating environmental benefits than central planning.

Greater use of market instruments to further environmental goals.

Both parties hide behind the concept of market instruments - incorporating such concepts as tradeable pollution permits, which already exist in the US and are being explored in the UK - to avoid specific recommendations on the thorniest issue of all, eco-taxation.

The president's Council recommends reforming taxation in order to discourage pollution and waste, as well as reviewing environmentally-harmful subsidies. But it says the Council has reached "no consensus on specific policy options". David

Buzzelli, the Dow Chemical vice-president who co-chairs the Council, acknowledged the delicacy of the issue when he said that "making a statement linking taxation and pollution, signed by business leaders and members of the cabinet in an election year, is already impressive".

Taxation of pollution is seen by many economists as one of the most effective ways of reducing noxious air emissions and combatting other environmental problems. It also need not hurt growth and jobs if offset, say, by lower payroll taxes, as the US report recognises in calling for "revenue-neutral" environmental taxation. However, the pre-electoral shyness of both Labour and Democrats - terrified of being branded "tax-and-spend" parties by conservative rivals - illustrates the trickiness of selling green policies to voters who like being nice to the environment but prefer not to pay for it.

Blair does not mention taxation, despite calling for a 20 per cent cut in carbon dioxide emissions by 2010 - the sort of target demanded by environmentalists at talks in

Geneva last week. The Labour leader does not explain how he would deliver such targets but says environmental problems will call for "fine judgments".

In his quest to promote socially-bligh environmental protection, Blair also promises to reverse VAT imposed on heating fuel. This was introduced, said the Conservative chancellor Norman Lamont in 1993's March Budget, to curb carbon dioxide emissions and combat global warming. Blair does not believe this to be the real purpose of a tax which hits the poor hardest. But unless Labour is prepared to embrace new eco-taxation, it is hard to see how much further it can go than the Conservatives in pursuing environmental goals.

Jonathon Porritt, one of the more pragmatic UK environmentalists, said the Labour leader's failure to tackle eco-taxation head on was the biggest disappointment of an otherwise encouraging speech. "Blair wants to have it both ways," says Wilfred Beckerman, an Oxford University economist who follows environmental issues closely.

In a clue to the party's thinking,

however, a Labour report published shortly before Blair's speech said the party would consider a tax on the depletion of natural resources.

• New economic indicators to measure environmental well-being.

This sounds good, is in need of development and presents practical problems yet to be overcome. Critics such as Beckerman doubt that national accounts can ever be reformed on environmental lines given the difficulty of attaching financial values to environmental benefits such as clean air.

Other economists are ploughing ahead with this work, including initiatives by the United Nations and the World Bank, in spite of the difficulties. The Council on Sustainable Development calls for both a reform of national accounts and the development of corporate environmental accounting practices to help companies "identify opportunities to reduce both production costs and potential environmental threats".

An important obstacle to or weakness of environmental improvements is a shortage of data and tools to measure their costs and benefits. Anything which improves such information, even if it does not translate into the overnight greening of gross national product calculations, can only sharpen environmental policy-making.

• Acknowledging and furthering a fledgling partnership between business, government and environmentalists to promote environmental values after what the president's Council described as "long years of conflict".

Both Blair and the Council reiterate what many larger companies have already discovered to be true: companies can make considerable cost savings and efficiency improvements by minimising waste and other forms of pollution.

What is less clear is how far government spending on the environment can achieve savings for society. The answer here is that it can work sometimes, as in the case of public transport highlighted by Blair. Last year a group of businesses endorsed a plan for improving public transport in London and freeing the capital of worsening congestion which costs businesses money in lost time and delayed goods. An emerging but still underused source of environmental information could be a cost-benefit analysis to measure, among other things, the costs and benefits for Londoners of cleaner air.

There is still a lot of vagueness in the UK plan, and many obstacles to carrying out the more detailed US strategy. But their common emphasis on better information, more grass roots involvement and a more constructive relationship with business set an encouraging tone for environmental policy-making in the next century.

Watson in the White House

The president's scientific adviser advocates a 'no-regrets' policy

Seventeen per cent of Bangladesh could disappear and forests could shift northwards over the next century in the nightmarish vision of Bob Watson, an Englishman in the White House.

But Watson, scientific adviser to President Bill Clinton, is prepared to admit that he and his colleagues on the International Panel for Climate Change, set up to investigate global warming on behalf of governments, could be wrong.

For this reason, Watson, who also chairs the IPCC working group on the impacts of climate change caused by greenhouse gases such as carbon dioxide trapping heat in the atmosphere, is advocating a "no-regrets" policy. This would promote measures which will benefit the environment in other ways - for instance by curbing air pollution - even if global warming turns out to be a false alarm.

He wants industry to consider ways of reducing carbon emissions in an "evolutionary" manner as they replace capital stock. "I'm not asking anyone to shut down fossil fuel plants tomorrow, but there are actions we can take which can hedge against us either overestimating or underestimating the problem," he says.

Over the next three, five or 10 years, his colleagues in the working group on the science of climate change expect to get a much better understanding of the role of oceans, volcanoes, changing sun temperatures and other variables.

The effects of a doubling of carbon dioxide concentrations over the next century, which could include a big increase in mosquito-borne diseases and killer heat waves, along with benefits such as improved agriculture in the northern hemisphere, could be lesser or greater than expected. They would take place over decades, but Watson is concerned that they will affect those countries least equipped to adjust to changes with sea-defences, better healthcare and food imports.

Environmentalists are calling for carbon emission reductions of

20 per cent from 1990 levels by 2005 while Germany has proposed a 10 per cent cut by that date and 20 per cent in 2010.

Watson says a target to reduce emissions by 10 per cent over the next 10 years would have little impact on global warming. But he believes its real benefit would be to "send a signal to the market place" to develop new technologies.

Watson argues that the most efficient way of transferring such technology would be to introduce tradeable pollution permits. This would enable western countries to get credit at home for investing in carbon-reducing technologies in countries least able to afford such investment themselves. Although backed by the US government, this idea has yet to receive the support of other industrialised nations.

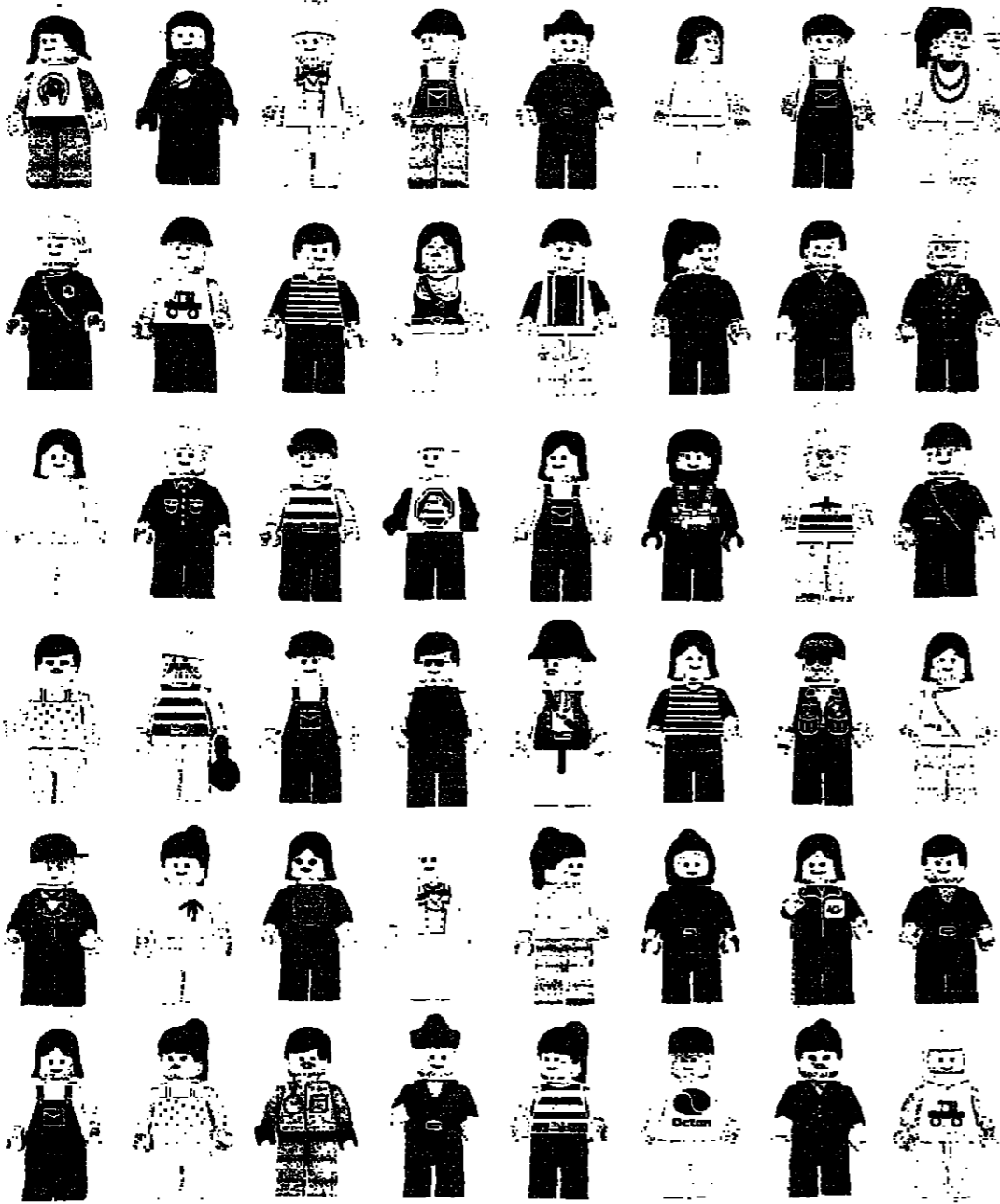
The doubters emerged in force last week when officials and scientists met in Geneva to consider what action governments might take in Tokyo next year in response to the IPCC's latest findings that humans have a "discernible" responsibility for global warming.

A self-styled European Science and Environment Forum challenged what it called an "official consensus" on the science of global warming. It accused the IPCC of using "frighten-them-to-death" tactics to obtain research funds.

The International Climate Change Partnership, grouping 23 multinationals, such as Dow and DuPont, which pride themselves on their attention to the environment, accepted the existence of a threat. But they questioned the emphasis on short-term targets before scientific knowledge of the exact nature of the threat improved.

Realists would argue that since it is going to take some time for governments to agree anything substantial in next 10 years anyway, the scientists have plenty of time to come up with harder evidence.

Leyla Boulton
Frances Williams



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's snub on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

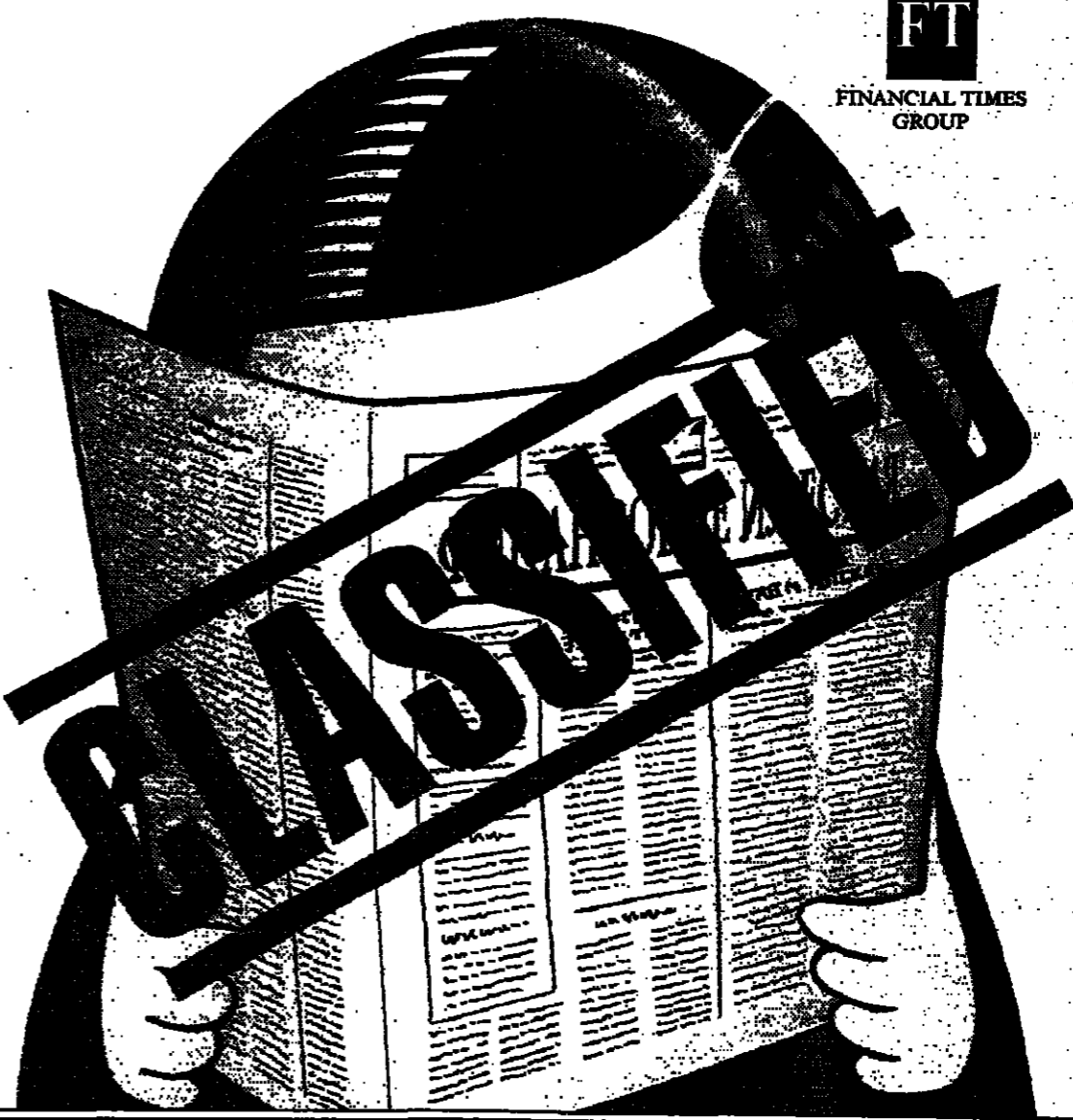
UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

United Nations High Commissioner for Refugees

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ARTS

Television/Christopher Dunkley

Viewing for pleasure

A recent letter accused this column of taking television too seriously: too much about politics, current affairs and heavy-weight drama - did I not realise that most people treated the telly as a bit of a laugh? Did I never watch anything just for the fun of it, or, like other people, because I was too tired to do anything else? My reactions are mixed. British television seems to do politics, current affairs and serious drama rather well; better than television in most other countries, and that seems worth acknowledging and encouraging. At present comedy and light entertainment are not in a very bright patch, so perhaps they have been receiving less attention than usual. Soap operas, game shows and agony series tend to be ignored here for much the same reasons that the FT book reviewers ignore Mills and Boon romances.

On the other hand no one wants to be a killjoy, and the answer to the second question that people ask television critics at parties ("Can you watch anything for your own pleasure any more?") is yes. But while frivolous programmes may sometimes be the ticket, it is also possible to get pleasure from the serious. Thus, the programme which pleased me most in the past week was a repeat which I saw not for the sake of the job but because my

wife was watching it: *The Rape of Tutankhamun* on Channel 4 on Sunday afternoon. It was a *cri de coeur* from John Romer, who said that most people visiting Egypt doubtless assumed that archaeologists constantly monitored the condition of temples, pyramids and so on, and would raise the alarm if damage threatened. In fact, the academics are more concerned with running museums and writing books than with conservation, and consequently the monuments of ancient Egypt are crumbling into the sand. Romer's warning was admirably clear.

Earlier in the week I watched the first episode of *Married For Life* on ITV because it is an English format version of the American series *Married With Children* which has often made me helpless with laughter. Difficult to find because it has been shown only late at night and in limited parts of the ITV network. *Married With Children* treats political correctness, and indeed all trendy American ortho-

doxies, with contempt. Unfortunately the British version has been miscast with Russ Abbot as the shoe shop assistant. Worse, the dialogue has been emasculated. If in the American original Peggy Bundy ever asked Al in bed whether "Mr Bundy wants to visit sugarcane land" it can only have been sarcastically, whereas Pam Butler in the English version was required to mean it.

Last week, as in many weeks, I watched *Top Gear* on BBC2 simply because Jeremy Clarkson's plects to camera are so amusing. The knowing post-whicker overstatement which has become his trademark - "See how it revs! That's smoother than the liver pâté I had for lunch!" - can be enjoyed without any interest in motor cars. Oddly enough the funniest moment of the week was provided by another motoring commentator: Murray Walker. Some find the high-octane stream of sound coming from his mouth during grand prix races (not unlike the sound of

the cars themselves) somewhat wearing. I find his enthusiasm endearing. But it was not the 3.00 am live coverage of the Melbourne Grand Prix on BBC2 which supplied the funny moment, though as it happens I did watch that immediately after watching all 4½ hours of the first Saturday night *Blue Light Zone* containing nothing but police programmes. The laugh came from a commercial in which Walker follows racing driver Damon Hill into a pizza parlour, commenting loudly on his every move and every bite.

It is said that *The Blue Light Zone* was originally a joke, suggested inside Channel 4 in response to the question "What can we do after *The Red Light Zone*?" Unhappily the opening evening made that seem only too likely. The first offering, *Subway Cops And The Mole Kings*, an account of the troglodyte oddballs who live in the remote nooks and crannies of the New York subway system, was as striking as Molly Dineen's film about the

night workers on the London underground. But the rest looked like a haphazard conglomeration of repeats. Critic or not, I would have watched the 1975 episode of *The Sweeney* to check whether it was as entertaining as memory suggested (it was). However, there seemed little to be gained from the other repeats, or from the violent and third rate Hong Kong film thriller *Rock 'n Roll Cop*.

Next day I finally found time to play the tape of the *Omnibus* obituary of Peter Cook which had been screened while I was on holiday in December but which friends had reported was funny, containing many clips, yet also sad and honest and altogether pretty good. All of which proved to be true. I also watched *Salome's Last Dance* on Channel 4 - a movie made in 1988 by Ken Russell who was one of the heroes of my youth when he was making films for *Monitor*, predecessor to *Omnibus* - and wished I had not. Russell's post-1960s career has been as disappoint-

ing as Cook's. That day I also managed to catch up on the previous two episodes of *Our Friends In The North* to be ready for the final episode on Monday.

This is another production which would have held my attention regardless of the job, though as it has progressed the development of historical events has become more interesting than that of the characters. I happen to be the same age as Nicky, Mary, Tosker and Geordie and can match many of their experiences. So there must have been something slightly wrong given that I felt less than them for Felix and Florrie Hutchinson. Nicky's elderly parents. Few television productions come anywhere near the ambition of *Our Friends In The North*. It contained numerous powerful sequences ranging from the Soho vice stories to the miners' strike, and creator Peter Flannery and the BBC should be saluted for seeing it through. If the end it did not quite match the clarity of vision and the extraordinary identity of national and individual odyssey achieved in *Heimat*. It is, nevertheless, the only British series which even begins to stand comparison with that amazing German achievement.

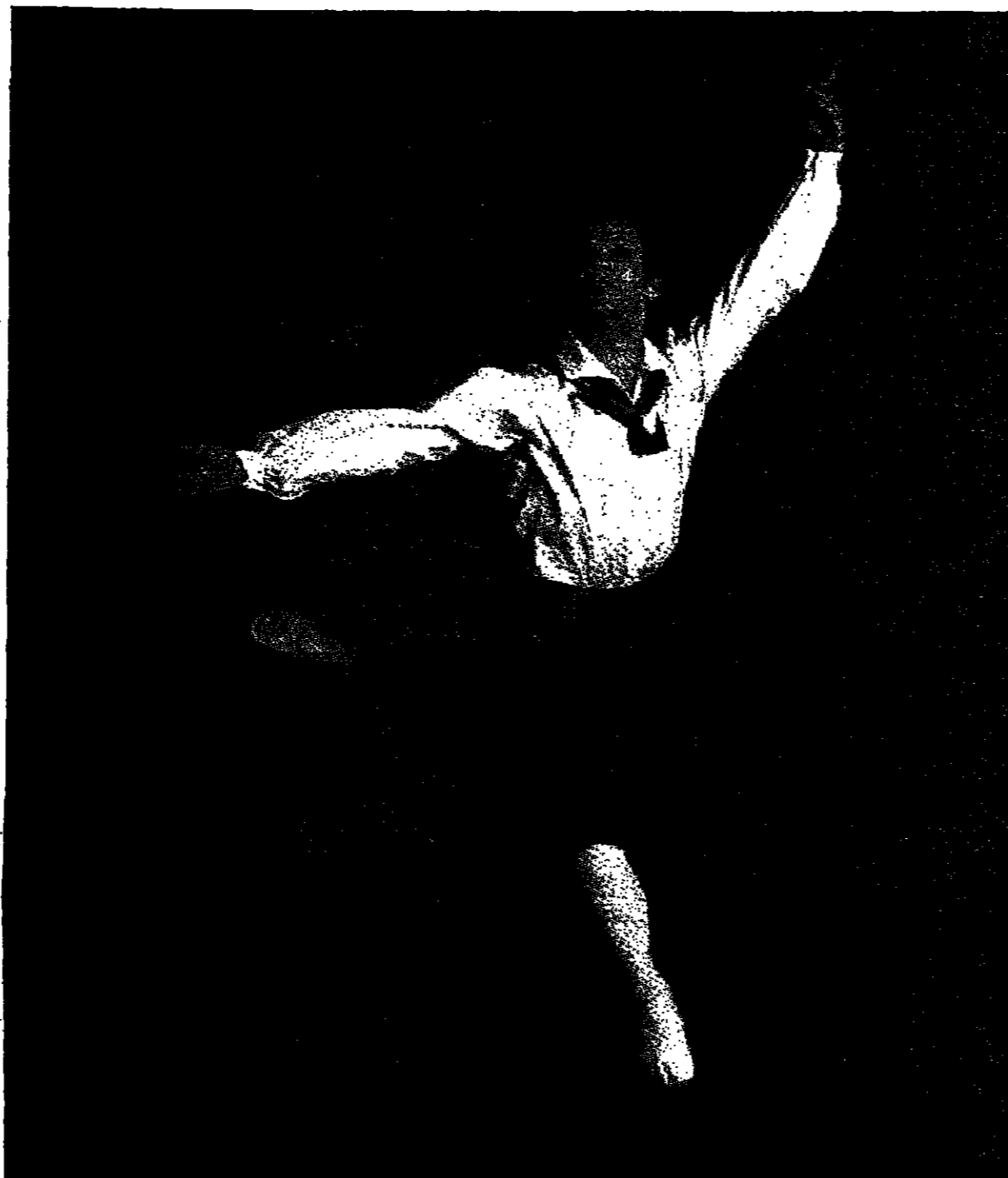
And the first thing that people say to television critics at parties: "Of course we hardly watch any television at all these days - how can you bear it?"

Ballet Great Danes in Sylphide

Scottish Ballet's production of *La Sylphide* is over 20-years-old and none the worse for that. Indeed, at a time when producers have started revising Bournonville with an enthusiasm usually reserved for muddying the waters of *Swan Lake*, it is a joy to view this honourable production again. It looks as *La Sylphide* should look: simple and unpretending. It is the purity of the dance and the subtlety of the playing which make sense of its drama, not interpolations and Romantic flimflam.

The staging was made by that inspired Bournonvillian, Hans Brenaa. It has been revived by another great authority, Sorella Englund, and at the end of last week brought a further great Dane - Johan Kobborg - as a guest artist. And bliss was ours as we watched it on Friday night in Glasgow. Scottish Ballet's artists play every role, nip and drift through every dance, with felicity. The modesty of the production allows Bournonville (and his interpreters) to speak. The sylph was the Japanese ballerina, Yurie Shinohara, who offers a sweetly phrased and buoyantly danced exposition of step and decorous pose. She hovers, and gazes so adoringly at James that he must follow her and must, tragically, desire her. My only complaint about an otherwise touching reading is that this sprite's death-scene was too agitated. Let Miss Shinohara, if she can, see film of Margrethe Schanne (most sublime of sylphs) whose death was infinitely pathetic in its simplicity.

Johan Kobborg displays every virtue of the Danish school. Bournonville said that dancing was an expression of joy, and to see Kobborg spring into the dance - impelled, it seems, by a tremendous surge of happiness - is to understand the truth of this. High-flying, cutting steps and phrases with wonderful brightness of energy, he is an ideal exponent of the role's airy shape. His acting is as yet - he is in his early 20s - more decent than inspired, but the character is true, and he will acquire that clarity of feeling (the single potent gesture) which the best Jameses have ever shown. He was at his best, emotionally, with the witch Madge - and here the evening touched greatness because Sorella Englund took the role. She is an artist of burning intensity. In earlier times she was beautiful sylph. Latterly she has assumed (thus do the Danes guarantee the integrity of their Bournonville heritage) character roles. Her Madge is in the finest interpretative traditions of the Royal Danish Ballet, but it explores and expands them. Englund is beautiful, and there is in this Madge some suggestion that her hatred of James is a passion corroded and turned to evil. Certainly, the



Epitome of the Bournonville style: Johan Kobborg, seen here in 'Napoli'

intense focus of Mme Englund's reading, his venomous humour and sudden lowering rage are superb. This Madge is fascinating, and her power is terrifying. She years to her full height as she turns upon James - a striking cobra - and we know terror ourselves.

It is also an interpretation of ideal proportion: the poles of the action, the Romantic dilemma of unattainable love and the tragedy it begets, are exactly balanced. The evening, in sum was a triumph. A masterpiece of the old ballet was made true and compelling for an audience - without compromise.

To open the programme, a new ballet

from Mark Baldwin, who is now Scottish Ballet's resident choreographer. A *Fond Kiss* is set to Stravinsky's *Divertimento* from "Le Baiser de la fée". I have admired the wit and oblique skill with which Baldwin has made choreography over the past few years. His realisations of scores have seemed unexpectedly right, with a sleight of hand that pulls bouquets from the most unexpected musical hats. I supposed, at first, that his view of the divertimento was equally off-beat. But the evolutions he gives a central couple and a subsidiary group of 12 dancers look cussed, as if movement in an academic style does

not come easily to him. He provides dance that seeks to be jokey and seems merely ill-at-ease. The choreography might have been intended for *Dances Concertantes*: the emotional, Tchakovskian world of *Baiser* is lost. Receiving its second performance on Friday, the piece did not sit happily on its cast, who were in no way helped by Jacqueline Hancker's black and white outfits that aimed, unhelpfully, at "fashion".

Scottish Ballet tours this programme to Edinburgh, Aberdeen, Inverness, Newcastle and Hull, during March and April. Check on casting.

Opera in Cardiff and London

Full of Italian spirit

When putting on an opera, so many disparate elements need to come right that it is always a bit of a gamble. I hesitate to use the term "lottery" - a dirty word at Welsh National Opera at the moment - but with its new production of *Cavalleria rusticana* and *Pagliacci* all the company's numbers have come up.

For all their supposed popularity *Cav* and *Pag* do not get performed that often, at least outside Italy. It is easy to see the thinking that has brought them now to WNO. The company wants to celebrate its 50th season by bringing home some of the illustrious Welsh singers who tour the world's opera-houses, first Bryn Terfel in *The Rake's Progress* and now Dennis O'Neill to double in the tenor roles of both *Cav* and *Pag* - a feat occasionally attempted by Plácido Domingo, but not often by anybody else.

For him, it will have been a strenuous evening, amply rewarded, but the sweat and toil he put into playing these *verismo* operas was hand-somely matched by the rest of the cast. When the WNO chorus is in the lusty form it was here, it is safe to bet the performance is going to go right. The musical director, Carlo Rizzi, seems to have instilled confidence all round and the result was a sturdily played performance, bursting with Italian spirit - even if the orchestra did not need to remind us that it can make enough noise to fill a bigger theatre (should the Cardiff Bay Opera House ever get built).

It is worth bearing in mind that Mascagni and Leoncavallo never intended their two operas, dubbed "the heavenly twins", to be performed together. In recent years there has been a trend towards finding some link between them, but WNO's producer, Elijah Moshinsky, decided to take the opposite route and show how different they can be. For the Mascagni, he and his designer, Michael Yeargan, stuck with theatrical realism and a street in a sun-baked Sicilian village in the 1890s, where the locals *smoulder over matters of honour* and jealousy.

Then, after a 40-minute interval for dismantling the set and dumping it in the car park at

the back (the New Theatre is not exactly well equipped), the curtain rose unexpectedly on an almost empty stage. *Pagliacci* was performed with minimal scenery and maximum concentration - its period updated to the 1930s. This was a neat trick, to promise a traditional production in the first half and then make its flipside new and adventurous, which allowed Moshinsky to have his panettone and eat it. Both halves were superbly executed.

In *Cav* he captured perfectly the stifling atmosphere of the small community that shuts out those it dislikes. Doors and window-shutters banged closed as Anne-Marie Owens's outcast Santuzza came down the steps to the village piazza. Vocally she may not be the raw-voiced

Richard Fairman reviews 'Cav and Pag' and 'La traviata'

Italian dramatic soprano of tradition, but her generous mezzo extends to both the amplitude and the top notes for the role. Peter Sidhom, as Alfio, belted convincingly and Menai Davies's tight-lipped old Mamma Lucia added a brilliant cameo. In *Pagliacci* the clapped-out old Ford that serves as the clowns' roving theatre drives into town with a lively band of performers, including Sidhom's leering Tonio and Rosalind Sutherland, who throws heart and soul into her portrayal of low-grade, flirty Nedda. Her duets with Jason Howard's Silvio crackled with sexuality, not least because Sutherland's soprano goes into overdrive whenever it heads above the stage. Moshinsky managed the clowns' knife-edge interplay between comedy and tragedy brilliantly.

In this company Dennis O'Neill was first among equals. For once the two tenor roles genuinely seemed to be different people: his Turiddu in *Cav* was a careless cad, his Canio in *Pag* a loving husband under stress being driven to the bottle, and in both he gave generously of himself, as always. The *Pagliacci*, in particular, is a strong show: if WNO's own

roving troupe of players is coming to your town, be sure to book a seat now.

In between his performances of *Cav* and *Pag* for WNO Carlo Rizzi is finding the time to dash back and forth for a simultaneous run of *La traviata* at Covent Garden. It would be easy - but untrue - to accuse him thereby of selling one or other company short. The opening night of the Verdi on Monday sounded well prepared, even if Rizzi's conducting is inclined to skate precipitately across the surface of the music.

His singers sound hustled, but are light and agile enough to keep up. Andrea Rost, last summer's Violetta at the Salzburg festival, makes an apt match for Rizzi. Her soprano makes up in penetration what it lacks in size. The fast vibrato is not unattractive and, pushed to her limit, she has the hard-edged brilliance of a cascade of diamonds. What she lacks is depth of tone, with commensurate depth of character. It is possible to imagine Rost as a Gilda of simple, unblemished purity, but Violetta has lived and experienced so much more, which one hopes to hear reflected in the singing.

The attraction of this cast is the freshness of young love. Rost's English Violetta has an unaffected young suitor in Ramon Vargas, who would rather stand around looking touchingly lost on stage than going through the practised routines. He wisely does not press his warm lyric tenor and sings with affection and just a touch of individuality, a welcome house debut. Carlos Alvarez reveals a fine Verdi baritone, both noble and even, as Giorgio Germont, but keeps any strong feelings he may have about the role to himself. The smaller roles offer a representative sample of English voices and accents. With Richard Eyre's production still as impressive visually as when it was new, everything looks good.

WNO on tour at the Bristol Hippodrome this week, then in London at the Royal Opera House March 20 to 22. Sponsored by The Friends of WNO. Performances of *La traviata* continue in repertory at Covent Garden until March 29.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Beurs van Berlage
Tel: 31-20-6271161
● Karin Lechner: the pianist performs works by Ravel, De Falla and Granados: 2.15pm; Mar 17
Concertgebouw
Tel: 31-20-5730573
● Sumiko Nagako: the pianist performs works by Mozart, Beethoven, Debussy and R. Schumann: 8.15pm; Mar 16

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/61
● Ensemble United Berlin: with conductor Peter Gülke perform works by Webern and Turtelro: 7.30pm; Mar 16
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Der fliegende Holländer: by Wagner. Conducted by Sebastian Lang-Lessing and performed by the Deutsche Oper Berlin. Soloists

BRUSSELS

CONCERT
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● Thomas Mohr: accompanied by pianist Thomas Palm. The baritone performs songs by Grieg, R. Schumann, Brahms, R. Strauss and Wolf: 8pm; Mar 15
DANCE
Kaaitheater Tel: 32-2-2015959
● Mikrokosmos: a choreography by Anne Teresa De Keersmaeker to music by Bartók and Ligeti, performed by Rosas: 8pm; Mar 12, 13, 14, 15, 16

CHICAGO

OPERA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● Götterdämmerung: by Wagner. Conducted by Zubin Mehta and performed by the Lyric Opera of Chicago. Soloists include Eva Marton, Siegfried Jerusalem, Matti Salminen and Alan Held: 5.30pm; Mar 16

COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Gidon Kremer, Mischa Maisky and Valery Afanassiev: the violinist, cellist and pianist perform works by Shostakovich: 8pm; Mar 14
DANCE
Opernhaus Tel: 49-221-2218240
● Goya: a choreography by Jochen

Ulrich to music by Bo Vespaendonek, performed by the Tanz-Forum Köln; 7.30pm; Mar 14

DRESDEN

DANCE
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Romeo und Julia: a choreography by Thessa to music by Prokofiev, performed by the Ballet Dresden: 7pm; Mar 15, 16

GHENT

EXHIBITION
Museum voor Sierkunst
Tel: 32-9-2256676
● Deense Keramiek: exhibition of Danish ceramics from the collection of the Museum Boymans-van Beuningen in Rotterdam and a private collection; from Mar 15 to May 5

HAMBURG

OPERA
Hamburgische Staatsoper
Tel: 49-40-351721
● Der Widerschütz: by Lortzing. Conducted by Gregor Bühl and performed by the Hamburg Oper. Soloists include Klaus Hager, Peter Galliard and Gabriele Rossmann: 7.30pm; Mar 14, 16

LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● The Mozart Festival Orchestra: with conductor Ian Watson, violinist Anthony Manwood and trumpeter Crispian Steele Perkin perform works by J. S. Bach, Albinoni,

Pachelbel, Vivaldi and Handel: 8pm; Mar 16
EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Collin Self: exhibition surveying the work of this British artist, one of the founders of Pop Art; to Mar 17

LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● American Paintings in Southern California Collections: this exhibition celebrates the taste and foresight of local collectors of American art with 75 paintings spanning 150 years; from Mar 17 to May 26

MAASTRICHT

ART & ANTIQUE FAIR
MECC Tel: 31-49-3838383
● The European Fine Art Fair: more than 160 art dealers from Europe, the United States and Hong Kong present highlights of their collection; to Mar 17

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Paul Groves: accompanied by pianist James Levine. The tenor performs songs by Bellini, Debussy and R. Schumann: 8pm; Mar 17
Carnegie Hall Tel: 1-212-247-7800
● Bruce Ford: accompanied by pianist Warren Jones. The tenor performs songs by Bellini, Beethoven, Britten, Duparc and Rossini: 8pm; Mar 15
● The New York Pops: with music director Skitch Henderson and The Blue Hill Troupe, Inc.

pay tribute to Gilbert and Sullivan: 8pm; Mar 15
EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Juilliard String Quartet: perform works by Beethoven: 8pm; Mar 15

OSLO

OPERA
Norske Opera Tel: 47-22-429475
● Mysterier: by Kvandal. Conducted by Kjell Ingebreten and performed by the Norwegian National Opera: 7pm; Mar 14

PARIS

OPERA
Théâtre du Châtelet
Tel: 33-1-42 33 00 00
● Don Carlos: by Verdi. Conducted by Antonio Pappano and performed by the Opéra de Châtelet: 6.30pm; Mar 16

ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Un'Incoronazione Veneziana del 1595: by Gabrieli. Performed by the Gabrieli Consort & Players: 8.45pm; Mar 15
OPERA
Teatro dell'Opera di Roma
Tel: 39-6-481601
● Il matrimonio segreto: by Cimarosa. Conducted by Lu Jia and

performed by the Opera di Roma: 8.30pm; Mar 14, 16 (8pm), 19

STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7814300
● La Traviata: by Verdi. Conducted by Kjell Ingebreten and performed by the Royal Opera Stockholm: 7.30pm; Mar 15

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Ernst Kovacic and Thomas Larcher: the violinist and the pianist perform works by Neuwirth, Coras, Krenek, Arntheil and Hertzelt: 7.30pm; Mar 17
Musikverein Tel: 43-1-5058681
● Heinrich Schiff: the cellist performs suites by J. S. Bach: 7.30pm; Mar 17

WIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-51442960
● Maria Stuarda: by Donizetti. Conducted by Jan Latham-Kölnig and performed by the Wiener Staatsoper: 7.30pm; Mar 14

WASHINGTON

MUSICAL
Ford's Theatre Tel: 1-202-347-4833
● The Fantasticks: by Tom Jones, with music by Harvey Schmidt. Directed by Michael Ralford. The cast includes Joe Sears, Jaston Williams, Mark Aldrich, Kevin Bailey and Julian Brightman: Tue to Sun 7.30pm, Thur also 1pm, Sun also 3pm; from Mar 16 to Jun 30 (not Mon)

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17.30
Financial Times Business Tonight
Midnight
Financial Times Business Tonight

COMMENT & ANALYSIS

As foreign exchange turnover grows profits are under pressure, says Philip Gawith

More trade means less enjoyment

The dramatic growth in the world's foreign exchange markets continues unabated. Turnover grew by 13.2 per cent a year in the three years to April 1995...

eroding margins in market-making, where cheaper technology now allows information to be shared more widely. If every dealer has much of the same information at the same time...

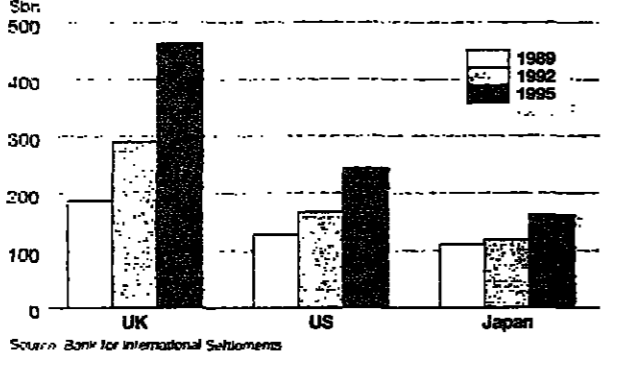
Exchange rates for traders to exploit. Even when central banks have decided to defend currencies, they have been more adept. In 1995, for example, the US Treasury waited until the dollar had stopped falling before intervening to support it.

A second response to tougher trading conditions has been to work harder to develop a strong customer base. This means, for example, having suitable expertise in products such as options and other derivatives.

Foreign exchange revenue

Table with columns for US dollar equivalent (\$m) for years 1991, 1992, 1993, 1994, 1995. Rows include Barclays, HSBC Holdings, NatWest, UBS, BankAmerica, Chase, Chemical, Citicorp, J.P. Morgan.

Daily foreign exchange turnover in the top centres



Endowed with too much controversy

Businesses wishing to sponsor higher education can face questions on how money was raised



Sheehy: BAT sponsoring chair

Universities are under pressure from the government to raise a much greater share of their funds from industry and the private sector. But there may be limits, as both Oxford and Cambridge have discovered in the last month.

account of the sins of his forefathers. Oxford has had several such controversies in recent years. A Robert Maxwell fellowship at Balliol attracted adverse comment after the controversial millionaire publisher disappeared.

Mr Patrick Coldstream, of the Committee for Industry and Higher Education, a body that brings together business executives and university vice-chancellors, estimates that total direct spending by industry on universities is now running at about £250m each year.

John Authers

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com

Misguided exchange rate policy

From Mr Steve H. Hanke. Sir, Mr John Barham's informative account of the ambitious economic goals presented by Turkey's new government...

Valuable support for Ukraine

From Mr Luis Marco. Sir, in his personal view "Behind The New Iron Curtain Of Europe", January 23) Dr Anders Aslund deplors "how little the EU has contributed to the stabilisation process [of the Ukrainian economy]..."

Important European issues at stake

From Mr John Parfitt. Sir, with reference to the article "A Euro-stalemate", March 8, there are many arguments about closer ties with Europe which need to be explored. Indeed, it is a pity that we have left it so late.

Foolish to forego benefits of intra-EU exchange rates

From Mr David Boal. Sir, Sixten Korkman makes a laudable attempt at a balanced assessment of the case for a single EU currency ("A More Balanced Picture", March 8). However, he fails to realise fully the significance of his admission that "some countries... might want to remain outside [the currency union] until they have become more integrated into the European economy..."

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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Wednesday March 13 1996

Mr Major's EU tightrope

Yesterday's white paper on the UK approach to European Union reforms says more about the government's domestic dilemma than it does about the real needs of an enlarged EU in the next century. This was inevitable, given the Conservatives' water-tight majority and the stridency of the Eurosceptical camp. But within those constraints, the government has done as good a job as it can of identifying its priorities at the intergovernmental conference.

Mr John Major's room for manoeuvre, and indeed his bargaining strength at the European table, has been squeezed by pressure from those Tories who want nothing less than a substantial travelling of the Maastricht treaty. Bold moves in the other direction, such as extending the competence of EU institutions to foreign and home affairs, were never likely to feature on the British agenda because Tory and Labour alike oppose them. But a more confident UK government would be hinting that in return for some flexibility by its partners, London might soften its position on majority voting - for example, by abandoning the veto in relatively uncontroversial areas like research. Yet for domestic reasons, Mr Major has been obliged to rule this out in advance.

Domestic lobbies
In calling for some limit to the retroactive effect of decisions by the European Court, the government has common sense on its side. The same applies to its suggestion that a distinction be made between manifest violations of European law, and unintentional infringements that were committed in good faith. Such proposals may in the longer term serve to enhance the tribunal's credibility.

Germany is not working

When Germany catches a cold, the whole of Europe sneezes. This winter, Germany has caught a severe chill. This does more than pose a challenge to the country's policymakers, businesses and trade unions. It also jeopardises the economic and monetary union in 1999.

On a seasonally unadjusted basis, unemployment reached a record level of 4.3m or 11.1 per cent of the labour force last month. But the truth is worse than this. With a further 1.5m people kept off the register by early retirement, short-time working and similar expedients, Germany's overall unemployment is close to 15 per cent of the labour force.

Industry worse
To appreciate the state of the German economy, it is necessary to step back a little. GDP rose by only 5.4 per cent between the second quarter of 1991 and the last quarter of 1995. The performance of industry, the motor of the economy, has been markedly worse, with output 7 per cent lower in January than five years before. Since manufacturing generates 35 per cent of employment, an exceptionally high share for an advanced industrial country, it is hardly surprising that the employment record has been poor.

the sort of aspirations that a secure and flexible UK government could pursue more easily than a severely constrained one; as things stand, Mr Major will have to count on his EU partners to show understanding of his domestic problems.

Voting weights
It repeats earlier calls for a revision of voting weights in favour of larger states, and it suggests that the principle of subsidiarity be further entrenched in the treaty. These are both questions which have to be addressed before the EU's heavyweight members can accept the dilution of their own power which expansion would otherwise portend.

By concentrating on these modest proposals, the government hopes to limit the scope of the IGC, avoid a row with its EU partners and ensure its own survival until next year. But its prospects for success on the second and third rounds remain doubtful.

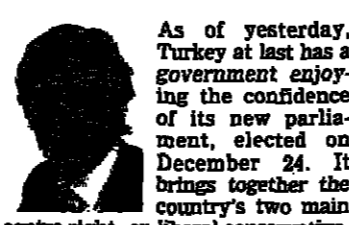
Germany is not working
The behaviour of longer-term interest rates could well be, however, the yield on ten-year bonds has risen from 5.8 per cent to 6.6 per cent since mid-January.

Structural problem
Yet it would be quite wrong to focus only on counter-cyclical policy since Germany has a serious structural problem as well. The principal response has been the government's 50-point employment programme, which embodies a series of supply-side reforms, including deregulation, reform of corporate taxation and incentives for company start-ups. It also aims to price workers into jobs by reducing high, non-wage labour costs, such as social security contributions, generous holidays and generous sickness pay. It is questionable whether this is radical enough. It may also not be enacted.

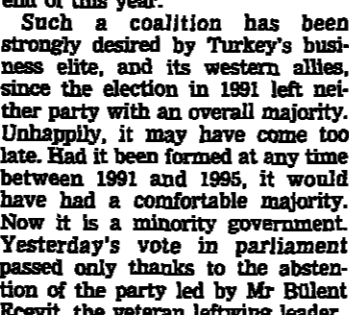
What is happening now to the German economy poses more than a purely economic challenge. If performance does not improve, Mr Helmut Kohl will find his Euro-peak dream punctured by his own country's economic failings.

A marriage of convenience

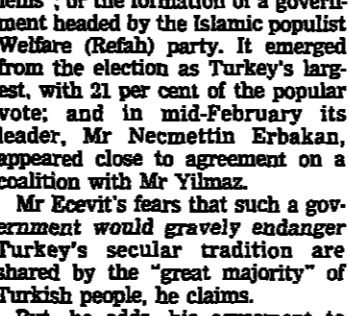
Turkey's new government has a shaky parliamentary base and may not be able to tackle urgent reforms, says Edward Mortimer



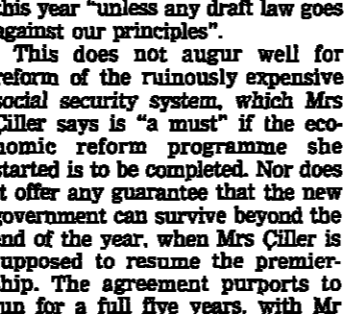
Mesut Yilmaz



Bülent Ecevit



Necmettin Erbakan



Tansu Çiller, outgoing prime minister



As of yesterday, Turkey at last has a government enjoying the confidence of its new parliament, elected on December 24. It brings together the country's two main centre-right or liberal-conservative parties: the True Path Party (DYP) led by Mrs Tansu Çiller, the outgoing prime minister, and the Motherland Party (Anap) of Mr Mesut Yilmaz, who takes her place until the end of this year.

Such a coalition has been strongly desired by Turkey's business elite, and its western allies, since the election in 1991 led neither party with an overall majority. Unhappily, it may have come too late. Had it been formed at any time between 1991 and 1995, it would have had a comfortable majority. Now it is a minority government. Yesterday's vote in parliament passed only thanks to the abstention of the party led by Mr Bülent Ecevit, the veteran leftwing leader.

Mr Ecevit explains that he wanted to avert two other outcomes: a prolonging of the crisis "when the country is beset by very urgent internal and external problems", or the formation of a government headed by the Islamic populist Welfare (Refah) party. It emerged from the election as Turkey's largest, with 21 per cent of the popular vote; and in mid-February its leader, Mr Necmettin Erbakan, appeared close to agreement on a coalition with Mr Yilmaz.

Mr Ecevit's fears that such a government would gravely endanger Turkey's secular tradition are shared by the "great majority" of Turkish people, he claims. But, he adds, his agreement to abstain is "not binding in future". "We shall fulfil our responsibilities as an opposition party." According to one of his advisers, the party has agreed to abstain in further votes this year "unless any draft law goes against our principles".

OBSERVER

The good ole' boys team up

Trust the Teamsters to get nasty. Wearing its pension fund hat, the US trade union has just put out a list of what it reckons are America's least valuable company directors.

Hustle hustle

Germany's youngest top Bundesbanker looks set to join the private sector. Gerd Häusler, 44, is moving from the grey slab-like headquarters of the powerful central bank at the edge of Frankfurt. His likely destination is Dresdner Bank's sleek silver tower.

Atlanta shoot-out

In the US, Georgia's attorney-general has caused jitters in high places by claiming that crime in Atlanta, which hosts this year's summer Olympic Games, may be worse than in Sarajevo, the Bosnian capital that hosted the 1984 winter Olympics.

Very fishy

A generous admission from Emma Bonino, the EU's fisheries commissioner, that she can't work miracles.

100 years ago

Turkey and the powers
The "Figaro's" Constantinople correspondent telegraphs that ministerial changes are preparing there which, if carried out, will have the most serious consequences for Turkey and Europe alike.

50 years ago

West African gold shares
The West African gold-mining industry, which for more than a decade had an unbroken record of expansion, felt the impact of war severely.

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FINANCIAL TIMES

Wednesday March 13 1996

Shepherd DESIGN, MANAGEMENT, CONSTRUCTION & ENGINEERING

IVECO TRUCK

Arab leaders seek renewed Middle East peace talks

US and Israel call for global 'anti-terror' pact

By David Gardner in Sharm el-Sheikh

The US and Israel pressed for greater international intelligence-sharing to counter terrorism, as world leaders began arriving yesterday for a summit in Egypt in response to four devastating suicide bombings in Israel.

yesterday offered talks with Israel, the US and the Palestinian Authority, but did not offer to stop action. The proposal was rejected by Israel.

the need for full compliance with the 1998 Oslo peace accords between Israel and the Palestinians. Mr Arafat, in particular, will be pursuing Israeli commitments to lift the blockade of Palestinian towns and villages in recognition of its security forces crackdown on Hamas.

Euro Disney plans \$980m new town near Paris theme park

By Andrew Jack in Paris

Euro Disney, operator of the Paris-based theme park, plans to develop an ambitious new town including a shopping mall, houses and leisure facilities on the outskirts of its existing site.

The town, to be called 'Val d'Europe', will encompass 1,500 homes, nearly 370,000 square metres allocated for businesses, as well as public facilities, hotels and restaurants.

Hopes of German recovery damped by imports plunge

By Peter Norman in Bonn

German exports have finally fallen victim to last spring's sharp increase in the value of the D-Mark, registering a year-on-year fall in December for the first time last year.

2.7 per cent below the DM63.3bn of December 1994. Imports fell from DM54.6bn in December to DM53.3bn the previous month and were 6.9 per cent lower than the DM58.6bn of December 1994.

year as a whole, the current account deficit fell to DM2.48bn from DM3.7bn in 1995. The Ifo economic research institute in Munich yesterday cast a further dampener on hopes that the economy would stage a significant recovery this year.

UK under pressure over Palestinian aid, Page 4

UK auction houses face clash with Brussels

Continued from Page 1

industry suffers from the transfer of many contemporary art sales to London. "Sellers prefer to go to London to avoid paying the resale right," said a French official.

only under which only French houses can hold auctions in France. It acted under pressure from the European Commission, which was responding to a formal complaint from Sotheby's and Christie's.

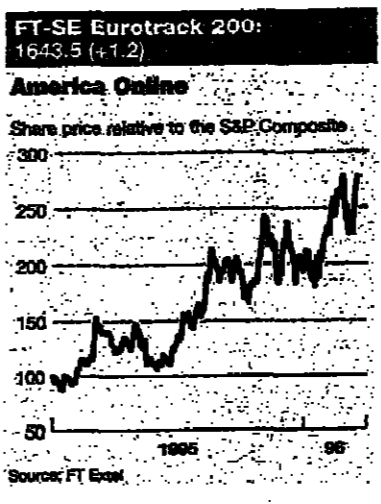
the sale price. Provisional rates are 4 per cent for works sold between Ecu1,000 (\$1,000) and Ecu50,000; 3 per cent for works sold between Ecu50,000 and Ecu250,000 and 2 per cent for works of more than Ecu250,000.

Election juggernaut, Page 2

THE LEX COLUMN

Telekom's sales pitch

The latest slippage in Deutsche Telekom's sales by comparison with management forecasts is embarrassing. Quite apart from the fact that profits will be depressed as a result, the implication is that Telekom's management is inclined to over-optimistic predictions.



Fru's life fund. The potential for economies in merging two life insurers ought to be considerable. And if the Pru makes its move before too many insurers start to demutualise, it should be able to pick up a bargain.

shopping centres to the Web's vast street bazaar. In an electronic world, both have a role. One of the ways online companies are remaining competitive is by allowing their customers to wander out of their shopping centres into the bazaar.

Prudential Mr Peter Davis, Prudential Corporation's chief executive, has enjoyed a remarkable honeymoon since he took over the Pru's shares have outperformed the market by 20 per cent. The difficult decisions, though, are about to begin.

TI Group After GKN's excellent results last week, TI took up the baton for UK engineers yesterday. In relatively flat markets, the group produced a 10 per cent sales increase and an impressive 20 per cent improvement in underlying profits for 1995.

Online services The explosive advance of the Internet, where people can roam for free, was supposed to kill off commercial online services which charge. Ironically, online services are turning out to be the biggest beneficiaries of the battle of the "browsers" - the software used to surf the Internet.

Additional Lex comment on Wolsely, Page 20

FT WEATHER GUIDE Europe today. Wintery conditions will prevail across most of the continent. Includes a weather map and a table of today's temperatures for various cities.

The Leading Edge in Asia Pacific. Sino Land Company Limited. US\$200,000,000. 5 per cent Convertible Bonds due 2001. Issue Price: 100 per cent. Includes logos for Jardine Fleming and Robert Fleming & Co. Limited.

Vertical text on the right edge of the page, including 'IVECO TRUCK' and other partially legible text.

FINANCIAL TIMES COMPANIES & MARKETS

Wednesday March 13 1996

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IN BRIEF Caixa in talks to acquire Atlántico

Caixa Catalunya, Spain's third-largest savings bank, is negotiating the acquisition of Banco Atlántico, a leading Barcelona-based bank...

Garuzzo makes comeback at Olivetti... Mr Giorgio Garuzzo, who resigned last month as chief operating officer of Fiat, the Italian industrial group...

BASF eyes Japanese drugs acquisition... BASF, the German chemicals company, is to acquire a Japanese drugs company...

Age rises 22% after Avesta sale... A shift to gas-based technologies in industries as diverse as paper-making and food processing helped Age, the Swedish industrial gas group...

Japanese resin producers to merge... Japan Synthetic Rubber, Japan's largest producer of plastic resin, is to merge its resin division with Mitsubishi Chemical...

MGM sale expected to raise \$1.5bn... The sale by international auctioneer Metro-Goldwyn-Mayer, a refurbished remnant of Hollywood's glory days, was officially opened by the Lazard Frères investment bank...

Clash looms over Nabisco break-up vote... A dispute looks set to break out over the means used by corporate raiders Mr Bennett LeBow and Mr Carl Icahn last month in their bid to win shareholder support for a break-up of RJR Nabisco...

FTX jumps on hopes of life fund move... Shareholders in Prudential Corporation, the UK's largest life insurer, could gain access to some assets with undetermined ownership in its long-term life fund...

Companies in this issue. Table listing companies like Ags, Air Europe, Ashton Mining, BASF, BFC, BP Chemicals, Banco Atlántico, Bette Mountain Gold, Bayer, Brooke Group, CTC, Caixa Catalunya, Christie's, Coca-Cola, Coriant, Crown Butte, Delta, Deutsche Telekom, Fidelity Investments, Folkler, Freepart, Gucci, Hanson, Herma, Inchcape, JVC, Japan Synth. Rubber, Lego.

Market Statistics. Table with columns for various market indices like FT-SE Actuaries Index, Benchmark Govt bonds, Bond futures and options, etc.

Chief price changes yesterday. Table showing price changes for various commodities and currencies like Wheat, Soybean, Coffee, etc.

Deutsche Telekom sales fail to meet forecast

By Michael Lindemann in Bonn... Deutsche Telekom, the German telecoms group poised for privatisation, announced that its 1995 sales had risen only 4 per cent to DM66bn (\$44.5bn), about DM2bn lower than forecasts made nine months ago...

added tax, which it would not be able to pass on to clients. Further reductions in the cost of long distance calls, to be introduced on July 1, would "significantly dent the results", the company said...

benefitting from increased competition among suppliers, which had forced costs down, and had scaled back its own investments in eastern Germany. Mr Sommer said the company was reorganising its activities into nine operating areas ahead of the planned stock exchange listing in November...

Europe's biggest toy company looks at range of activities to lift sales

Lego plans to spend \$2bn on 15 parks

By Peter Marsh in Billund, Denmark... Most of the population of the developed world will be within driving distance of a Lego theme park under a plan by the Danish toy company plans to spend about \$2.3bn (\$3bn) building 15 new parks next century...



Bricklayer: a workman at the UK park to be opened later this month

Willamette buys up Hanson forestry arm for \$1.59bn

By David Wighton in London... Hanson, the UK industrial conglomerate, yesterday announced it had sold its remaining US forestry interests for a better than expected price of \$1.59bn. The buyer is Willamette Industries, the Oregon-based forest products group...

Mr Bill Landuyt, chief executive of Hanson's US arm, said: "Over the last two weeks we have announced combined proceeds of over \$2.8bn (\$1.8bn) from the Cavenham sales and the Suburban Propane public offer. The sales place us well ahead of schedule on our £2bn disposal programme..."

Magellan fund continues to cut weighting in shares

By Maggie Ury in New York... The closely-watched Magellan mutual fund, Fidelity Investments' leading fund, continued to cut its equity holdings in January and build its weighting in bonds and cash. Analysts said the fund's 65.3 per cent equity weighting at the end of January was the lowest they could remember for it...

published yesterday by Fidelity. However, Mr Vinik appears to have bought shares in Digital Equipment, the computer group, in January as it became one of the fund's top 10 holdings. Mr Vinik has invested proceeds from equity sales in the US bond market, accounting for 18.9 per cent of the fund at the end of January, and has a further 15.8 per cent in cash. Five of the fund's top 10 holdings were in US Treasury notes and bonds...

The shift from equities to bonds has hurt the fund's performance this year. Even after a recent weakness, the Dow Jones Industrial Average has risen around 400 points, or 8 per cent, while the bond market has fallen. In the Lipper Analytical mutual fund tables calculated late last month, Magellan's one-year performance ranked 288 out of 570 growth funds. Mr Vinik has not been moved in a shake-up of portfolio managers at Fidelity, involving managers of 26 equity funds. Fidelity said the reshuffle was part of a realignment of its equity division, from four to eight teams...

Barry Riley Bonds, equities and the shadow of 1994

Once again, the world's stock markets cannot figure out how to respond to a bond market shakeout. The losses in equities after Wall Street's sudden panic on Friday were partly regained in the bond markets, though, the recovery has been stilted and fears persist that there may be a rerun of the 1994 crash. The distortion of the relationship between bonds and equities is a familiar theme. Arbitrage between the two markets is poor, as different forces are at work. Thus, one statistic that shocked the US Treasury bond market last week, quite apart from the devastating jump in the non-farm payroll, was the scale of the buying by foreign central banks (chiefly the Bank of Japan). In a week, it transpired, support for Treasuries had been around \$18bn, and in a month \$40bn. Yet yields had risen. We can deduce a sequence of events in February. First, there was a large-scale unwinding of the notorious and unstable "carry trade" through which hedge funds and banks have been financing purchases of Treasuries by borrowing yen at 1/2 per cent. This may have been triggered by losses on Treasuries (in the extreme case, the long bond has now fallen in price by around 12 percentage points since the beginning of the year) and by intermittent signs of yen appreciation. The repayment of the yen will tend to strengthen that currency, which anyway tends to be firm at this time of year as Japanese financial institutions repatriate assets ahead of the March 31 fiscal year-end. But at any sign the yen is climbing, the Bank of Japan's stabilisation forces will be brought to bear. Such intervention has clearly been massive in the past few weeks, and the dollars have been rapidly recycled into the US bond market. The net result has been the transfer of bonds of the order of \$40bn in a month from speculators to the Bank of Japan and its allies, and a marked further steepening of the yield curve, reflecting the risk-averse central bank's preference for shorter dates. Incidentally, instead of being significantly lower, US bond yields have now moved fairly close to those on German government debt, giving an indication of how much the Treasury market was previously relying on the leveraged players. Now for equities. Wall Street has come under the influence of the mutual funds, which have been pumping around \$30bn a month into equities. Mutual fund investors have become used to a persistent upwards price trend with low volatility; even the 1997 crash has faded into distant memory and looks like no more than a minor blip on the long-term charts. On these assumptions, any setback becomes a buying opportunity. This certainly appears to have been the response on Monday. But price-chasing attitudes leave out the question of value. Professional investors last Friday, on the other hand, felt a further sharp jump in bond yields and a rise in the bond-equity yield ratio to dangerous heights required a response. A general theme is that in several important countries the basic equities versus bonds decision is not being made by core domestic investors. In the US, the bond markets are being supported by strong foreign buying while there is almost zero overseas interest in US equities. In Japan it is the other way around: foreigners have been heavy net buyers of stocks while only domestic buyers are attracted by bonds yielding 8 per cent. As for Germany, domestic investors are always reluctant to buy bonds when yields fall below 6 per cent, and the rise in the ten-year bond yield from 5.9 to 6.6 per cent in a month could prove healthy if it helps the Bundesbank to correct the recent blip in monetary growth. When different types of investors dominate, incompatible views can hold sway. The US Treasury market, for instance, appears to have been fixated on possible recession (a view dashed by the jobs data) while equities have been relying on continued, albeit modest, growth. The danger now is of a 1994 scenario: that bond yields may have to rise further for long-term investors to accommodate the exits of leveraged players.

When differing investors dominate, so can incompatible views. Thus, one statistic that shocked the US Treasury bond market last week, quite apart from the devastating jump in the non-farm payroll, was the scale of the buying by foreign central banks (chiefly the Bank of Japan). In a week, it transpired, support for Treasuries had been around \$18bn, and in a month \$40bn. Yet yields had risen. We can deduce a sequence of events in February. First, there was a large-scale unwinding of the notorious and unstable "carry trade" through which hedge funds and banks have been financing purchases of Treasuries by borrowing yen at 1/2 per cent. This may have been triggered by losses on Treasuries (in the extreme case, the long bond has now fallen in price by around 12 percentage points since the beginning of the year) and by intermittent signs of yen appreciation. The repayment of the yen will tend to strengthen that currency, which anyway tends to be firm at this time of year as Japanese financial institutions repatriate assets ahead of the March 31 fiscal year-end. But at any sign the yen is climbing, the Bank of Japan's stabilisation forces will be brought to bear. Such intervention has clearly been massive in the past few weeks, and the dollars have been rapidly recycled into the US bond market. The net result has been the transfer of bonds of the order of \$40bn in a month from speculators to the Bank of Japan and its allies, and a marked further steepening of the yield curve, reflecting the risk-averse central bank's preference for shorter dates. Incidentally, instead of being significantly lower, US bond yields have now moved fairly close to those on German government debt, giving an indication of how much the Treasury market was previously relying on the leveraged players. Now for equities. Wall Street has come under the influence of the mutual funds, which have been pumping around \$30bn a month into equities. Mutual fund investors have become used to a persistent upwards price trend with low volatility; even the 1997 crash has faded into distant memory and looks like no more than a minor blip on the long-term charts. On these assumptions, any setback becomes a buying opportunity. This certainly appears to have been the response on Monday. But price-chasing attitudes leave out the question of value. Professional investors last Friday, on the other hand, felt a further sharp jump in bond yields and a rise in the bond-equity yield ratio to dangerous heights required a response. A general theme is that in several important countries the basic equities versus bonds decision is not being made by core domestic investors. In the US, the bond markets are being supported by strong foreign buying while there is almost zero overseas interest in US equities. In Japan it is the other way around: foreigners have been heavy net buyers of stocks while only domestic buyers are attracted by bonds yielding 8 per cent. As for Germany, domestic investors are always reluctant to buy bonds when yields fall below 6 per cent, and the rise in the ten-year bond yield from 5.9 to 6.6 per cent in a month could prove healthy if it helps the Bundesbank to correct the recent blip in monetary growth. When different types of investors dominate, incompatible views can hold sway. The US Treasury market, for instance, appears to have been fixated on possible recession (a view dashed by the jobs data) while equities have been relying on continued, albeit modest, growth. The danger now is of a 1994 scenario: that bond yields may have to rise further for long-term investors to accommodate the exits of leveraged players.

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Vertical text on the left margin including 'shepherd', 'itch', 'Pacific', 'WINGS'.

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

SGS ahead 11%
despite US losses

Société Générale de Surveillance, the world's largest inspection and testing group, has reported an 11.1 per cent rise in 1995 net profit to SFr200.4m (\$191.77m), despite continuing large losses in its US insurance adjusting business. The result was slightly below investors' expectations, but the bearer shares rose SFr35 to SFr2.385 on the Swiss stock market.

The directors were confident that profits would improve this year, partly because of an expected return to profit of the insurance adjusting side. Also, the cash-rich group recommended a 13 per cent rise in dividends to SFr11.30 per registered share and SFr56 per bearer share. Revenues were down 1.7 per cent to SFr2.65bn, but up 8.1 per cent in local currencies. Trading profits edged up 2 per cent to SFr250m, and Mrs Elisabeth Salina, chairman, said growth was depressed partly by currency translations and partly by the SFr18.6m operating loss at GAB Robins North America.

Net financial revenues jumped 36.4 per cent to SFr49.8m, reflecting the dissolution of provisions made in 1994 against sharp falls in security values. Pre-tax profit was ahead 10.8 per cent to SFr238.2m.

Ian Rodger, Geneva

Air Europe plans float by 1999

Air Europe, the Italian charter airline which rose from the ashes of International Leisure Group, the collapsed UK travel company, is planning a stock exchange listing within three years. Sopaf, the Milan-based financial group, yesterday announced the purchase of an 18.5 per cent stake in Air Europe, through a fund called Invest Equity Partners, with a view to funding growth and eventually bringing the company to the stock market.

Air Europe was originally a scheduled airline, grounded by the 1991 collapse of ILC, its parent company. But management bought a stake in the Italian affiliate from the administrators and continued flying under the same name.

Sopaf, which has helped a number of medium-sized Italian companies to the stock market in the past year, has spent about \$2m subscribing to the capital increase and buying shares from management. The capital increase, together with the full payment of unpaid rights to Air Europe shares, will raise \$7m for the company, and leave the management buy-out team with 56.9 per cent of the group. Alitalia owns the remaining 24.6 per cent.

Andrew Hill, Milan

SGL Carbon reaches target

SGL Carbon, the German manufacturer of graphite and carbon products, established itself as one of the country's most profitable quoted companies, with a return on turnover of 17 per cent in 1995, up from 11 per cent in 1994, according to annual results released yesterday.

The company came to the German market last April, when Hoechst, the chemical group, floated off a 50 per cent stake. Hoechst still owns the remaining half. Mr Robert Koehler, chairman, said SGL Carbon had reached its profitability targets one year ahead of schedule. SGL Carbon is the world's largest producer of carbon and graphite products. It reported a rise in turnover from DM1.44bn to DM1.57bn (\$1.06bn) last year, with pre-tax profits of DM234m, up 61 per cent. The supervisory and management boards proposed a dividend of DM1.67 per share.

Wolfgang Mäntchou, Frankfurt

Caixa Catalunya set to buy Banco Atlántico

By Tom Burns in Madrid

Caixa Catalunya, Spain's third-ranked savings bank, is negotiating the acquisition of Banco Atlántico, a leading Barcelona-based medium-sized bank, for a reported price of some Ptas60bn (\$480m). If it went ahead, the acquisition would represent the biggest domestic takeover of a private bank by a savings institution.

The purchase, if agreed, would intensify the rivalry between the private and the savings banks, the twin pillars of Spain's financial system. The private banks, which are legally barred from acquiring savings banks,

allege they are subjected to unfair competition. Atlántico is controlled by Saudi Arabia's Arab Banking Corporation, which owns 72 per cent of its equity; Argentaria, the partially privatised state-banking group, owns a 24 per cent stake. It is understood that Caixa Catalunya would acquire 40 per cent of Atlántico's equity, including the entire Argentaria-owned stake, for Ptas65bn, in a first phase of the takeover, with an undertaking to pay a further Ptas35bn for the outright acquisition of the bank.

Argentaria, which is currently disposing of 25 per cent of its equity through a global offering that will reduce the government's shareholding to 25 per cent, has been anxious to sell its stake in Atlántico for more than a year. Caixa Catalunya bought a small subsidiary bank, Banco de la Exportación, from Atlántico in 1991 for Ptas6bn and made its initial approach to acquire the parent bank last year.

Caixa Catalunya is chiefly interested in Atlántico's commercial potential, for the bank has deposits of nearly Ptas60bn and a loan portfolio of around Ptas40bn. Should it acquire Atlántico, the savings bank will add 300 branches, mostly well positioned

in Spain's chief urban centres, to its nearly 700-strong network, and it will double its consolidated assets to Ptas3,500bn to become Spain's seventh largest financial institution.

Atlántico had profits of Ptas3.7bn after provisions of Ptas4.8bn for non-performing loans last year, and the reported purchase price is the equivalent of its market capitalisation.

Caixa Catalunya's planned advance into the private banking sector mirrors that of its local competitor in Catalonia, known simply as La Caixa, Europe's biggest savings bank. In 1995, La Caixa acquired control of two private banks for Ptas7.8bn. These

acquisitions unsettled the private banks, which are encountering increasingly narrower margins, and Caixa Catalunya's ambitious takeover is likely to distress them further.

A recurring complaint voiced by the private banks is that they pay an average of 50 per cent of their profits to shareholders, whereas the savings banks allocate some 25 per cent of their income to so-called social works. The issue of unfair competition between the two sectors was raised last year by the Madrid-based Tribunal for the Defence of Competition, a government agency, but the dispute remains unresolved.

Garuzzo moves from acrimony to a challenge

By Andrew Hill

Mr Giorgio Garuzzo, who resigned amid acrimony last month as chief operating officer of Fiat, the Italian industrial group, yesterday returned to Olivetti as deputy chairman of the computer company.

The former Fiat executive, who began his career with Olivetti in 1962, will be responsible for developing "strategies and alliances at group level".

Mr Garuzzo was co-opted on to the board of the Ivrea-based company, which is struggling to convince shareholders it has a future in the personal computer sector.

It was not clear whether Mr Carlo De Benedetti, Olivetti's chairman, approached Mr Garuzzo or vice versa, but the appointment reunites the careers of the two men for the first time in 20 years.

They worked together at Gardini, the industrial components business owned by the De Benedetti family, in the 1970s, and Mr De Benedetti took Mr Garuzzo with him to Fiat in 1976 during his short-lived and unhappy spell as chief executive of the automotive and industrial group. Mr



Garuzzo: moved to Olivetti yesterday after 20 years with Fiat

De Benedetti left and went on to take control of Olivetti, but Mr Garuzzo stayed and rose to become number three in the Fiat hierarchy.

Last month, however, an upset Mr Garuzzo left Fiat after he was passed over for the job of chief executive in the management reshuffle prompted by Mr Gianni Agnelli's resignation as Fiat chairman. Mr Cesare Romiti graduated from chief executive to chairman, but it was Mr Paolo Cantarella, head of Fiat Auto, the cars division, who took Mr Romiti's place.

In what seemed a pointed reference to Mr Garuzzo's

grievances, Olivetti attached to yesterday's announcement a long list of Fiat developments which benefited from his "direct participation and personal contribution", ending with "management of the emergency, relaunch and strategic redefinition of Fiat Auto" between 1991 and 1996.

Olivetti said yesterday that alliances were fundamental for the group as it tried to reposition itself as a broad-based information technology and telecommunications group.

But Mr Garuzzo, 57, faces a challenge at Olivetti if he is to match his success at Fiat. Olivetti's share price has come under new strain in recent weeks as rival personal computer manufacturers either cut prices or pull out of the competitive market altogether. Shortly after the announcement of Mr Garuzzo's appointment yesterday, the shares closed down L20.7 at L797.3.

Mr De Benedetti has set himself a deadline of mid-1996 to demonstrate that the company is recovering from the heavy losses of the past few years.

Investcorp poised to sell its remaining Gucci stake

By Andrew Hill in Milan

Investcorp, the Bahrain-based investment group, is poised to sell all its shares in Gucci, the Italian manufacturer of luxury goods and clothes, in a follow-up to its successful sale of a 43.2 per cent stake last year in New York.

Gucci, which last week paraded its latest clothing collection in Milan to great acclaim, also announced a net profit for the year to January 31 of \$31.4m, compared with \$17.2m last time.

Gucci shares were in heavy demand in last October's offer, and they have risen to nearly double the offer price of \$22 since. If Investcorp succeeds in selling all its shares through Codia, which it controls indirectly, at current trading

prices it could raise as much as \$1.3bn for its wealthy Arab backers.

A further sale of shares should help ease illiquidity in the stock - which is traded in New York, Amsterdam, and on Seaq International - and fulfil demand left over from last year.

Mr Johannes Huth, a member of Investcorp's management committee, said yesterday the group's investments were normally held for a three- to five-year period. Investcorp started negotiating for a stake in Gucci in 1987. "Our business is buying and selling companies and while we may fall in love with some of them, there comes a time when we have to part company," said Mr Huth.

Net revenue at Gucci nearly doubled to \$600m in 1995, against \$264m. Earnings per

share increased from 38 cents to \$1.66 on a weighted basis. Sales last year more than doubled in the US, Italy, Japan and east Asia.

The latest offer will be structured in a similar way to last year's deal. Investcorp intends to place an initial 26.4m shares through a global offer, holding back nearly 4m for an "over-allocation" option to be sold if there is sufficient demand.

Investcorp has again appointed Morgan Stanley as global co-ordinator for the offer, which should be priced towards the end of this month, and has promoted CS First Boston to joint lead manager alongside Morgan Stanley.

Salomon Brothers is co-manager for the US tranche of shares; Salomon and Cazenove will be joint lead managers for the international tranche.

Portugal Telecom advances 44%

By Peter Wise in Lisbon

Shares in Portugal Telecom reached a record high yesterday after the group reported a 44 per cent increase in net consolidated profit, to Es36.2bn (\$232m) in 1995 from Es36.1bn in 1994.

The shares closed at Es3,519, up from Es3,493 on Monday, a 25.7 per cent gain since 27 per cent of PT was privatised. Shortly after the announcement of Mr Garuzzo's appointment yesterday, the shares closed down L20.7 at L797.3.

Mr De Benedetti has set himself a deadline of mid-1996 to demonstrate that the company is recovering from the heavy losses of the past few years.

PT president, said a global offer of a further 22 per cent of the group was likely to be made by mid-1996. An international partner is expected to acquire an additional 20 per cent early next year.

This will require repealing a law that limits private-sector ownership of PT to 51 per cent. The socialist government has indicated that 20 per cent of the group will be kept in state hands until the full liberalisation of Portugal's telecoms sector, currently scheduled for 2003 under EU rules.

PT said total debt grew by only Es3.2bn, despite a 34 per cent rise in investment to Es116bn and a 34 per cent increase in pension and other provisions to Es60.8bn. Ana-

lysts said this was achieved mainly because of a 15 per cent increase in cash flow to Es153.4bn.

Efficiency gains were reflected in a 10.5 per cent increase in operating profit to Es128.1bn. PT said operating costs increased by only 4.6 per cent to Es235.8bn as a result of cost cutting and streamlining operations. Staff costs grew by 6.6 per cent, representing 22.3 per cent of total revenue, down from 22.8 per cent in 1994. The number of employees fell to 20,241 in 1995 from 21,276.

Total revenue from telecom services rose 8.9 per cent to Es466.7bn. PT increased tariffs by an average of 2.3 per cent in 1995, below annual inflation of 4.2 per cent.

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<p>July 1995</p> <p>\$230,000,000</p> <p>Banco Central Hispanoamericano, S.A.</p> <p>Preferred Stock</p> <p>Co-Lead Manager in this transaction</p>	<p>February 1995</p> <p>\$162,500,000</p> <p>Midland Bank plc</p> <p>Preferred Stock</p> <p>Co-Lead Manager in this transaction</p>	<p>September 1995</p> <p>\$175,000,000</p> <p>The Royal Bank of Scotland Group plc</p> <p>Preferred Stock</p> <p>Co-Lead Manager in this transaction</p>

Advisory

<p>Pending</p> <p>Bank of Ireland</p> <p>\$700 million merger of Bank of Ireland First Holdings, a subsidiary of Bank of Ireland with Citizens Financial Group, Inc. a subsidiary of The Royal Bank of Scotland</p> <p>Advisor to Bank of Ireland</p>	<p>February 1995</p> <p>BarclaysAmerican/Mortgage Corporation</p> <p>Sale of its mortgage servicing business to Norwest Corporation</p> <p>Advisor to Barclays Bank plc</p>	<p>December 1995</p> <p>National Westminster Bancorp Inc.</p> <p>Sale of \$468 million of credit card receivables to Household Bank</p> <p>Advisor to National Westminster Bancorp Inc.</p>
<p>Pending</p> <p>Travelers Group Inc.</p> <p>\$300 million sale of RCM Capital Management to Dresdner Bank AG</p> <p>Advisor to Travelers Group Inc.</p>	<p>April 1995</p> <p>BarclaysAmerican/Mortgage Corporation</p> <p>Sale of its mortgage origination business to Greenpoint Financial Corporation</p> <p>Advisor to Barclays Bank plc</p>	<p>March 1995</p> <p>Bank of Ireland</p> <p>Acquisition of Great Bay Bancshares</p> <p>Advisor to Bank of Ireland</p>

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REALISATIONS DURING 1995

<p>Industri Kapital 1989 has realised approximately 75% of its holding in Lindex AB by introduction on the Stockholm Stock Exchange</p>	<p>Industri Kapital 1989 has realised approximately 35% of its holding in Crieplast Industries A/S by introduction on the Copenhagen Stock Exchange</p>	<p>Industri Kapital 1989 and AB Fortos have realised 100% of their holdings in Partena AB by sale to Finansielle Sodecho S.A. and Sodecho S.A.</p>
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If you wish to discuss a private equity transaction with a group of dedicated professionals, with access to substantial amounts of capital and the experience to provide the best solution for the right management team, please contact either Björn Savén, Christian Lorenzen or Gustav Ohman in London, Harald Mix or Michael Rosenlew in Stockholm or Kim Wahl in Oslo on the telephone numbers below.

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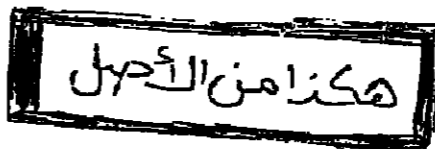
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INTERNATIONAL COMPANIES AND FINANCE

BASF set to buy Japan drugs company

By Jenny Luechy in London, Wolfgang Muench in Frankfurt and Eniko Tarazono in Tokyo

BASF, the German chemicals company, is set to acquire a Japanese drugs company, with the aim of building a 1 per cent share in the world's second largest drugs market.

"We will not reach this goal with one acquisition," BASF said. But it expected to conclude a deal with the Japanese company that would give it "a platform from which to build".

BASF, whose supervisory board chairman is Mr Jurgen Strube, already has links with Japanese drugs companies, including a research tie-up with Mitsui Pharmaceutical. However, the country's pharmaceutical sector includes 1,640 drug makers, with more than 100 viewed as potential targets.

Many foreign drugs companies have established themselves in Japan by investing in R&D centres and sales forces, but BASF has said repeatedly that it intends to keep expanding its drugs business through acquisitions. It remains a relatively small competitor in pharmaceuticals, and has identified a 1 per cent market share as "critical mass". BASF would not say when the Japanese buy would be announced, but it would not coincide with its annual financial press conference on March 26.

It yesterday issued preliminary figures which highlighted the slowdown in chemical demand in the second half.

Sales of DM48.2bn (\$31.2bn) last year, up from DM43.7bn in 1994, but second-half turnover was DM20.6bn, compared with DM25.6bn in the first half. Pre-tax profits were evenly spread over the



Jurgen Strube: his company already has links with Japan

year, to reach DM41.3bn, up 67 per cent on the previous year. This suggested an improvement in profit margins in the second half, despite the sharp

fall in chemicals prices, said one analyst. But another cautioned that uncertainties remained, "because of the lack of detailed information".

The markets, nonetheless welcomed the strength of BASF's results, on the back of which it proposed a rise in the dividend from DM10 a share to DM14. BASF shares closed up 2.3 per cent at DM378.

Shares in Bayer also rose on its preliminary results, but later fell back to close at DM468.50, up 1.7 per cent on the day. The group reported a 27.1 per cent rise in pre-tax profits, to DM4.19bn, on sales up 2.7 per cent, at DM44.6bn.

The profits growth was in line with expectations, but analysts were puzzled at the relatively small rise in earnings per share (DVFA) - from DM30 to DM34. Bayer raised its payout to DM2 to DM15 per share.

Bayer also reported a fall in capital expenditure from DM3.53bn to DM3.17bn, of which DM1.46bn was spent on acquisitions. R&D went up from DM3.18bn to DM3.26bn.

Pliva aims to put Croatia on investors' maps

Zagreb hopes drug group's issue will lift country's profile abroad, writes Gavin Gray

In 1981, researchers at Pliva, a Croatian pharmaceuticals company, discovered a seemingly promising antibiotic which they called azithromycin. Fifteen years on, and after the signing of a licensing agreement with Pfizer of the US, the drug has surpassed all expectations.

Whether the strength of the cash flow that this generates for Pliva outweighs the political risk of investing in Croatia is a question institutional investors will be mulling over this week, as a roadshow opens in Europe for the company's forthcoming international equity issue.

The Croatian government is selling 81 per cent of the company's stock at an indicative price of K4,150 to K5,100 a share, valuing the company at \$415m to \$510m.

This is the first international offering for a Croatian company, and it probably would not have proceeded this far without the reduction in political risk brought about by the Croatian army's assault last August on Krajina, a rebel Serb held region that constituted more than 20 per cent of the country.

With Krajina in its hands, Croatia has succeeded in restoring transport and economic links severed when Yugoslavia broke up in 1991. Last year's signing of the Dayton peace agreement for Bosnia has also reduced the residual risk of investing in Croatia.

Pliva has been picked for this inaugural issue in an attempt by the Croatian government to convince investors that the economy has not been comprehensively wrecked in the past five years.

The shares and Global Depository Receipts are due to start trading on the London Stock Exchange on April 11 - the first time an east European industrial company will be listed in London - and the Croatian government hopes this will lift the country's profile abroad.

One of Pliva's factories, in its non-core food products division, fell into Serb hands. This was recovered intact last summer.

The company has replaced the markets it lost with the splintering of Yugoslavia partly by selling branded

drugs in eastern Europe, while in western Europe it has stepped up sales of bulk pharmaceuticals; it is the world's fifth-largest producer of vitamin C.

This rapid recovery helped lift sales to \$400m last year, matching pre-war levels and making Pliva the largest pharmaceuticals group in central and eastern Europe.

The strength of its management team is underlined, the government believes, by the decision to privatise through a sale to institutional investors at a time when some of eastern Europe's leading pharmaceuticals companies, such as Galena in the Czech Republic and Biogal in Hungary, have been forced into the hands of multinationals.

"Pliva has a long tradition in research and development and

we don't see a need for a strategic partner. Azithromycin is a blockbuster product which will give us the opportunity to develop as an independent company," said Mr Zeljko Covic, the company's president.

Pliva patented azithromycin in 1982 and in 1986 gave a licence for the US and western Europe to Pfizer, which is selling it under the brand name Zithromax.

The patent for the US is protected until 2005. Pliva uses the name Sumamed for its sales in eastern Europe and the former Soviet Union. The drug is a macrolite antibiotic, suitable for treating respiratory and some sexually transmitted diseases. It was an instant hit because dosing is simpler and it produces quicker results.

Pliva also has an agreement to supply Pfizer with azithromycin in bulk, providing a third source of earnings in addition to licensing royalties and its own sales. The company was sternly tested in late-1991 when war broke out and the Yugoslav army bombed Zagreb, the Croatian capital and location for most of Pliva's factories.

Year	Revenue	Net Profit
1983	286	36
1984	323	72
1985	339	77

Source: Company results

Shift to gas helps Aga to 22% rise

By Hugh Carnegie in Stockholm

A shift to gas-based technologies in industries as diverse as paper-making and food processing helped Aga, the Swedish industrial gas group, to increase underlying profits by 22 per cent last year.

Aga, ranked fifth in its sector in the world, said profits after financial items rose from SKr1.7bn in 1994 to SKr2.1bn (\$307.3m). Pre-tax earnings were further inflated by a SKr601m gain from the sale of shares in the Anglo-Swedish steel group Avesta Sheffield, hoisting the before-tax surplus to SKr2.7bn, compared with SKr1.7bn last time.

Mr Marcus Storch, chief executive, said the effect of a recent strengthening of the Swedish krona and an anticipated poorer performance by Aga's power associate, Gullspang Kraft, meant underlying profits were likely to remain this year at 1995 levels.

Profits slipped in the fourth quarter of last year, with earnings after financial items falling from SKr543m in the last quarter of 1994 to SKr506m in the final quarter of 1995. The reverse reflected weaker economic trends in South America, the US and some European countries.

But Mr Storch said the slower trend was not universal and growth in demand for gas products remained healthy, driven in large part by technological changes which resulted in greater use of gas in a range of industrial processes. This meant demand for industrial gases was about double underlying gdp growth trends.

Aga's group sales rose 6 per cent in 1995 from SKr12.5bn to SKr13.3bn. Developments which have opened up new demand for gas recently have included the switch from chlorine- to oxygen-based bleaching processes by the pulp and paper industry, a move to liquid gas freezing techniques by the food industry and the use of gases in areas such as waste-water-treatment and pharmaceutical preparations.

EUROPEAN NEWS DIGEST

Fokker's chances of rescue 'slim'

Fokker, the Dutch aircraft maker racing to find a corporate saviour, said yesterday that prospects of a rescue by Friday's deadline looked bleak. Mr Ben van Schaik, management board chairman, told a rally of workers outside the company's main factory that Fokker was still in talks with two Asian parties potentially interested in taking over its assets, Samsung of South Korea and Aviation Industries of China (Avic).

"I have not given up on the possibility that there will be a positive conclusion this week, but chances are quite slim," he said. Bridging credit supplied by the Dutch state runs out on Friday, setting a deadline for negotiations unless the government steps in with another short-term financial package.

Hopes are pinned on Samsung and Avic because Dutch bankers and financiers are not expected to be prepared to invest in a slimmed-down Fokker unless the company finds a strong industrial partner. In 1993, the government's desire for Fokker to become part of a larger industrial concern led to the sale of a controlling stake in the company to Daimler-Benz Aerospace of Germany. But this partnership unravelled in January after the German company refused to put up new funds to keep loss-making Fokker afloat.

The Fokker group employs 7,000 people. If it collapsed, smaller units in fields such as defence contracting and aircraft maintenance might be salvaged, but the main aircraft-assembly business would be closed with the loss of about 5,000 jobs.

Ronald van de Krol, Amsterdam

French specialist bank ahead

Banque Française du Commerce Extérieur, the specialist banking group recently taken over by Crédit National, yesterday reported net income up 14 per cent to FF225m (\$30m) for 1995. Banking income rose 6 per cent to FF2.3bn, and operating income was up 12 per cent to FF792m. The group said it had managed to boost market share despite a loss in business from the French state, tight margins, and the effects of the fall in the dollar.

The bank took general provisions of FF80m, and a series of specific write-downs, including FF141m against its exposure to Eurotunnel, operator of the Channel tunnel rail link.

It said 1996 would be marked by its integration with Crédit National, which holds 88.26 per cent of the shares, with the remainder split between the Bank of France and the Caisse Française de Développement.

Andrew Jack, Paris

Sanofi in Rotta Research link

French drugs group Sanofi, a unit of Elf Aquitaine, said it had signed a worldwide commercial agreement for product development and research with Rotta Research of Italy. The alliance involves six products of Rotta Research in more than 50 countries. These do not include US or Canada, for which negotiations are still under way.

The alliance will take the form of various licences, distribution accords or joint ventures, but Sanofi and Rotta will remain independent. Sanofi will market all the Rotta products and will have access to future Rotta products. Sanofi will be able to strengthen its position on the market for treatment of osteoporosis and menopause while Rotta research will benefit from the wide presence of Sanofi's international sales network.

Sanofi said sales of the products included in the agreement could amount to FF1bn (\$197m) a year for the company.

Reuter, Paris

CORIMON INTERNATIONAL FINANCE LIMITED

NOTICE

To the Holders of 10 1/8% Guaranteed Notes Due October 15, 1996

Notice to the holders of the 10 1/8% Guaranteed Notes Due October 15, 1996 that a general meeting will be held in the Auditorium of the Corimon Building at calle Hans Neumann de los Cortijos de Lourdes, Caracas, Venezuela, on Thursday March 28th, 1996 at 1:00am, for the following purposes:

- To provide holders of Notes with information about the financial situation of the Company.
- To consider and act upon the payment of the Notes.
- To consider and act upon the appointment of the Chairman and Secretary of the meeting.

The Board of Directors

Caracas, March 5th 1996

Note: The Issuer has appointed Mr. Gustavo Maa Borjas as a Temporary Chairman of the meeting. The holding of Notes shall be proved by the production of such Notes or by a certificate, satisfactory to the Company or executed by any bank, banker, trust company, or recognized securities dealers, wherever situated to the Company. Each such certificate shall be dated and shall state that on the date and amount thereof a Note bearing specific serial number was deposited with or exhibited to such financial institutions. Access will be denied to the one who do not follow the above instructions.

All of these securities having been sold, this announcement appears as a matter of record only.

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INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

Earnings forecast doubled at JVC

Full-year net profits at JVC, the Japanese consumer electronics company, are now expected to reach Y2bn (\$18m), double the company's earlier estimate for the 12 months to the end of this month. The company also plans to restore shareholder dividends.

The revised estimate comes despite lower-than-expected sales of Y335bn compared with an earlier forecast of Y560bn. Recurring profits - before extraordinary items and tax - are now forecast to be Y6bn rather than Y4bn; recurring profits last year were just Y1.04bn.

The lower sales reflect the impact of currency fluctuations as well as the separation of a karaoke systems business into an independent company. Recurring profits will be higher, nonetheless, as a result of a strong contribution from component sales and the increase in higher margin products such as wide-screen TVs and higher quality video equipment.

The results will also reflect the sale of certain properties. JVC is taking an extraordinary loss of Y5.5bn to cover capital injections into its Shanghai operations and a joint venture it has with Hughes Electronics of the US.

In Shanghai, a fall in audio equipment sales and a resulting build up of inventory has necessitated further marketing support. In the US, JVC is increasing its stake in a joint venture it has with Hughes in large projection systems, from 40 per cent to 80 per cent.

Ashton Mining profits slip
Ashton Mining, the Australian diamond miner in which Malaysia Mining Corporation has a significant stake, yesterday announced a fall in after-tax profits from A\$31.7m to A\$24.1m (US\$18.83m) in 1995. Its diamond sales revenue was A\$180.4m, compared with A\$188.5m.

Ashton, which has a stake in Australia's large Argyle diamond mine along with London-based RTZ-CRA, the majority partner, said that the result had been affected by the Central Selling Organisation's 10 per cent price reduction for rough diamonds, and also by the "continued 15 per cent level of deferred purchases".

Ashton and RTZ-CRA have threatened to stop selling through the CSO when the five-year marketing agreement expires in June - with Ashton, in particular, expressing frustration and the deferred purchase programme and the price cut.

Yesterday, Ashton reaffirmed that "the Argyle joint venture partners are considering their own marketing options ahead of the mid-year terminations of the current CSO sales contract".

Japanese resin producers in joint venture

By William Dawkins in Tokyo

Japan Synthetic Rubber, the country's largest producer of plastic resin, is to merge its resin division with Mitsubishi Chemical's leading chemical group and third-largest resin producer, to seek economies of scale in a fiercely competitive market.

The pair said they had decided to take this step, to be consummated with the formation of a joint venture next July, because of weak domestic demand and increased competition from foreign producers and Japanese companies based abroad.

The material which they will be joining forces to produce is acrylonitrile-butadiene-styrene resin (ABS), used to make hard plastic casings for computers and other electronic goods.

The main competition comes from Chi Mei, a Taiwanese petrochemical company, which makes 1m tonnes of ABS annually - 55 per cent of world output, and four times the size of Mitsubishi Chemical's and Japan Synthetic Rubber's combined ABS production.

The new Japanese joint venture, yet to be named, will be 80 per cent owned by Japan Synthetic Rubber and 40 per cent by Mitsubishi Chemical. It will have a 280,000-tonne annual capacity, giving it 30 per cent of the Japanese market and making it the world's fourth-largest producer of ABS, the companies said.

After final agreement in the summer, they plan to start operations in October, with an estimated Y60bn (\$570m) annual turnover.

Japan Synthetic Rubber, a leading supplier for Bridgestone, the Japanese tyre manufacturer, devoted 34 per cent of its Y89.8bn turnover to synthetic resin production in the six months to last September. The group is undergoing a recovery, from recurring profits - before tax and extraordinary items - of Y3.6bn in the year to last March to an estimated Y6.4bn in the year ending this month, according to equity analysts in Tokyo.

Mitsubishi Chemical does not specify its turnover in resins, but 55 per cent of its sales are petrochemicals. The group is expected by analysts to report a recurring profit of Y21bn this year, a dramatic recovery from Y5.35bn in 1995, helped by an increase in domestic demand for other petrochemical products and the cost savings achieved from its merger with Mitsubishi Petrochemical in October 1994.

World's investors warm to Nice Systems

The Israeli high-tech company is taking advantage of its staff's experience in the country's military, writes Julian Ozanne

In one of Israel's "silicon valley" industrial parks a small, little-known high-tech company is contributing to Israel's increasing penetration of the global market for telecommunications products.

Nice Systems, which primarily designs, develops, manufactures and markets high-quality digital recording, storage and retrieval systems, is rapidly emerging as one of Israel's success stories.

The company's dramatic growth in revenues, combined with its potential to exploit the rapid expansion in computer telephone integration (CTI) technology and the migration from analogue to digital recording, have made Nice a recent favourite of local and foreign investors.

A string of orders from blue-chip clients such as the London Stock Exchange, ABN Amro and the US Federal Aviation Administration, together with its technological edge in digital recording and voice processing products, have raised expectations that the company is poised to become a significant force in the CTI market which analysts expect to expand from \$1.5bn in 1995 to \$6bn by 2000.

Much depends on Nice's ability to strengthen significantly its marketing ability in a growing but highly competitive sector which is expected to experience dropping prices. But for the moment the company is experiencing a wave of investor confidence.

In January, Nice completed a successful \$18m public offering on the Nasdaq stock exchange in the US, and recently announced that for the first time it had broken even over a financial year. Results for calendar 1995 showed a 133 per cent increase in revenues, from \$9m in 1994 to \$21m. Gross profit increased 264 per cent to \$10.2m, or 48.8 per cent of sales, compared with \$2.8m, or 31.3 per cent, in 1994. Net

income was \$318,000 compared with a loss of \$3.7m in 1994. Earnings per share were 6 cents compared with a loss of 53 cents in 1994. The results reflected a dramatically improved fourth quarter.

Turning the profit corner, together with buy recommendations from some US investment houses, have led to a surge in the company's share price. Shares on Nasdaq were trading at \$124 yesterday, up 27 per cent on the \$10 January offer price.

The latest surge in the company's price comes after its shares on the Tel Aviv market have increased almost four-fold since last April, from yesterday's close of Shk93.69.

Normandy turns down request for delay

By Nikki Tait in Sydney

Directors of Newcrest, the Australian goldminer, yesterday asked Mr Robert Champion de Crespigny's Normandy Mining group to delay shareholder meetings called to approve a A\$3bn (US\$2.3bn) four-way merger between Normandy and three associated companies, so that it could consider a merger with Newcrest.

But Normandy turned down the proposal, saying that details of its own merger scheme - which involves combining the operations of Normandy, PosGold, North Flinders Mines and Gold Mines of Kalgoorlie into one group - had been in shareholders' hands for nearly four weeks.

"The present merger terms will not be changed, and any proposal involving a merger with Newcrest would be unlikely to be achievable in less than four to six months," it added.

In the light of Normandy's rebuff, Newcrest said it would make a further statement shortly. The first of the meetings to approve the Normandy merger will be held in Adelaide on Friday, with the fourth, and final, meeting being called for April 4.

Mr de Crespigny said he was still hopeful that Newcrest would support the Normandy merger, although the company had not said that this was its intention, "nor did we ask".

Newcrest currently holds a 51 per cent interest in PosGold, its goldmining arm. PosGold, in turn, owns 31 per cent of GIMK and 49 per cent of North Flinders. All are listed companies.

Newcrest, in turn, has a 14.9 per cent stake in Normandy, acquired in a stockmarket raid earlier this month, and about 12.5 per cent of PosGold. Newcrest was formed in 1990 when Australia's BHP and Newmont Mining in the US merged their Australian goldmining operations.

The latest proposal followed a presentation by Mr de Crespigny to the Newcrest board in Melbourne - a meeting which Normandy described as "pleasant" and Newcrest as "cordial".

Shares in Normandy closed 1 cent higher at A\$2.39, while Newcrest added 3 cents to A\$6.78.

Originally Nice concentrated on military communications intelligence products, but in late 1991 it raised \$4m to finance its entry into the voice communications industry

By Julian Ozanne

The digital voice-logging business has boomed since sales began in the second quarter of 1994, and provided about two-thirds of Nice revenues last year.

"We decided to focus on the sectors where Nice can be a market leader," Mr Arzi says. "It's better to be a leader in a smaller market where you can influence the market than be a fraction in a big market and

we aim to be the number one company in the voice logging sector."

The company has successfully penetrated two leading markets - financial trading floors and air traffic control systems.

Financial customers of its NiceLog system include Citibank, Deutsche Bank, Union Bank of Switzerland and the Sydney Futures Exchange.

Last August Newcom contract from the FAA potentially worth \$40m, to provide its digital voice logging system to 80 airports in the US.

The company's growth will also come from the large call-recording market such as telebanking and teleinsurance following a recent agreement between Nice and Northern Telecom of Canada. Nice's system will be installed in all of the call centres using Nortel's systems, which currently account for one-third of all US call centres.

The company is also planning to attack the public safety and emergency services recording market, which are set to convert from analogue to digital recording in the coming years.

Mr Levin says: "The challenge after years in the military was to develop products from our military experience that were required and affordable in the commercial market."

Watchdog blocks Wattyly buy

Australia's new Competition and Consumer Commission yesterday moved to block Wattyly, the listed Australian paint manufacturer, from purchasing the architectural and decorative paint business of Taubmans, part of the Courtalds group in the UK.

The deal, said to be worth around A\$40m (US\$30.74m), was announced last October, and the ACCC had already warned that it might breach the Trade Practices Act on competition grounds. Yesterday, the competition watchdog formally filed proceedings in the Federal Court seeking to restrain Wattyly from completing the agreement.

The ACCC said that it had taken the action because the deal would remove a large competitor from the market, and concentrate business in two companies' hands. It estimated that Dulux, part of the ICI group of the UK, and the merged Wattyly-Taubmans group would account for almost 80 per cent of total architectural and decorative paint manufacturing market.

Wattyly had argued that the deal would bring efficiency gains and allow it to increase activities outside the Australian market, and also bring its market share into line with Dulux's. But the ACCC rejected arguments that Taubmans and Wattyly were not currently effective competitors to Dulux. Instead, it concluded: "The ACCC believes that the structure of the paint market, particularly the high barrier to successful entry as well as the widespread vertical arrangements, is such that, after the merger, the parties are likely to charge higher prices."

The Sydney Futures Exchange is to extend its electronic link with the New York Mercantile Exchange to include metals contracts from April 10. The link, established last year, initially covered energy-related contracts.

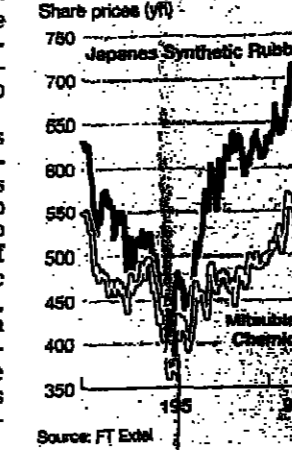
David Arzi: "Better to be a leader in a smaller market than a fraction in big market"

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Source: FT Eikon



David Arzi: "Better to be a leader in a smaller market than a fraction in big market"

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to be held at the office of Julius Baer Bank and Trust Company Ltd., Kiri House, Grand Cayman, Cayman Islands, on the 1st day of April, 1996 at 10 a.m.
AGENDA
1. To receive and consider and, if thought fit, adopt the accounts presented by the Directors for the year ended 31st December, 1995 and the reports of the Directors and Auditors.
2. To ratify the acts of Directors.
3. To approve the appointment of Price Waterhouse as Auditors and authorize the Directors to fix the Auditors' remuneration.
By order of the Board: LIQUIBAER Julius Baer U.S. Dollar Fund Limited, P.O. Box 1100, Grand Cayman, Cayman Islands.
A shareholder holding registered shares is entitled to attend, be heard and vote instead of him. A proxy need not be a shareholder of the company.
A shareholder holding bearer shares is entitled to attend and vote. Exercise of these rights in respect of bearer shares will be recognized only on presentation at the Meeting of the bearer certificate or satisfactory evidence of the holding.
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where "CAC 3" = 1773 and "CAC 40" on March 4, 1996 = 2 014
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INTERNATIONAL COMPANIES AND FINANCE

CTC-VTR deal raises the stakes in Chilean telecoms

By Imogen Mark in Santiago

The deal between CTC and VTR announced this week signals a fresh alliance in Chile's competitive telecoms market.

CTC, controlled by Telefonos de Espana and VTR, owned by SBC of the US and the Chilean Luksic group, will pool resources in the mobile phone business, including cellphones and paging.

CTC's cellphone subsidiary holds one of the two concessions for the plain Santiago and Valparaiso regions, which contain half of all Chile's ABCI households. It will contribute 80,000 subscribers to the new venture. VTR holds one of the two concessions for the rest of the country and has 35,000 subscribers.

From May, the new company will be the first to offer full-service nationwide coverage. CTC and VTR already operate an informal roaming agreement to cover each other's subscribers. There are some 200,000 mobile subscribers at present and the market is expected to grow to 800,000 by the end of

the decade. Total sales in 1995 were \$250m.

The new company will also combine its efforts in the field of personal communications systems (PCS), which are seen by some as a cheaper and more versatile development of cell-phones.

Through some telecom executives would have preferred the government to delay introducing PCS for some years because of the sizeable investments it will need, the government is committed to developing Chile's telecoms market as fast and as competitively as it can.

It was due to accept bids at the beginning of this month for three national PCS concessions, but the process was postponed by a court case brought by VTR which challenged the procedures.

The CTC-VTR company will be well-placed to give wide coverage quickly, which is one of the conditions for winning a licence. The alliance also helps reduce installation costs, which are substantial. Coverage of 75 per cent of national territory will cost an estimated \$100m and increasing that to 95 per cent will cost \$300m.

Ms Jane Winslow, analyst at Bankers Trust, welcomed news of the alliance. "It is CTC taking major strides towards

becoming a more rational, smarter player, facing up to the new competitive environment after its long years as the monopoly operator, becoming a service-oriented company."

CTC is by far the biggest Chilean telecoms company, with sales last year of \$1bn and net income of \$270m.

The other leading contender for a PCS licence is Entel, formerly the long-distance monopoly carrier and still the market leader in long distance. Its Chilean controlling shareholder, Chilquinta, has recently signed a shareholder agreement with Stet of Italy and is still working out an arrangement with its new partner and Samsung of Korea, which also has a substantial holding.

Entel operates a cellphone concession outside the Santiago-Valparaiso region. It is understood to be in talks with the Chilean subsidiary of BellSouth of the US, and the fourth cellphone operator, which holds the other Santiago licence. An alliance between the two would share the same logic as the CTC-VTR link-up.

A third contender for a PCS licence is Telex-Chile, a smaller long-distance carrier, which is currently looking for a strategic partner to bring in new capital and know-how.

Bids may put \$2.5bn price tag on MGM

By Christopher Parkes in Los Angeles

The sale by international auction of Metro-Goldwyn-Mayer, a refurbished remnant of Hollywood's glory days, was officially opened yesterday by Lazard Freres, the investment bank.

The French-owned company, which has been revived in the past three years by chairman Mr Frank Mancuso, is expected to fetch between \$1.5bn and \$2.5bn after bidding closes later this year.

The announcement follows formal approval of the sale by the French government.

Mr Mancuso, who has more than doubled MGM's share of the US box office since he took charge in 1988, is believed to be rounding up financial support for a management buy-out offer for assets ranging from MGM and United Artists film studios to television properties and extensive film and home video libraries.

However, bidding may become highly competitive as media, entertainment and telecommunications companies continue the urgent search for routes to the "convergence" following wide-ranging deregulation of the US marketplace.

Other possible bidders, apart from US interests, include the PolyGram subsidiary of Philips of the Netherlands, Germany's Bertelsmann, and France's Chargeurs.

The group's television interests include MGM Gold, an international entertainment channel due to debut in Asia this year to be followed by similar ventures in Europe.

TV studios, reopened under Mr Mancuso's aegis, have two new series running on US broadcast channels, with more in the pipeline, including an animated series based on the film All Dogs Go To Heaven.

Under Mr Mancuso the company has tapped a steady stream of successes, including Get Shorty and Goldeneye.

MGM's share of the US box office grew to 6.3 per cent last year - against 1.9 per cent in 1993 - and so far in 1996 has climbed to 7.6 per cent. In the three-year period to the end of 1995, gross takings at the domestic box office have jumped from \$95m to \$333m while international ticket sales have soared five-fold to \$150m.

Storm brews over RJR vote

By Richard Tomkins in New York

A dispute looks set to break out over the means used by corporate raiders Mr Bennett LeBow and Mr Carl Icahn last month in their bid to win shareholder support for the takeover of RJR Nabisco, the US tobacco and food group.

Mr LeBow's Brooke Group set a deadline of midnight on February 15 for shareholders to vote in favour of his spin-off proposal. But his company did not announce the result until five days later, on February 20.

At that stage, Brooke Group announced that Mr LeBow had triumphed, winning 50.4 per cent of the vote. The surprise result gave Mr LeBow and Mr Icahn the momentum they needed to press ahead with their proxy battle against RJR Nabisco.

After Brooke Group had completed its count, the voting slips were passed to an inde-

pendent inspector of elections for checking. Now, sources close to the checking process say the figures indicate that Mr LeBow had lost the vote by a narrow margin at midnight on February 15.

Close examination of the voting slips, the sources say, suggests that Mr LeBow was only able to claim ultimate victory in the poll because he counted votes received after his self-imposed deadline had passed.

The precise result may not make a great difference to the outcome, since the vote is not binding on RJR Nabisco and the company has vowed to ignore it. But RJR Nabisco seems likely to use the figures as a vindication of its statement on February 16 that the vote appeared to have gone against Mr LeBow.

If the figures are confirmed, RJR Nabisco is also likely to use the sequence of events as further ammunition with which to attack Mr LeBow's

credibility in the run-up to the battle for control of the company at its AGM on April 17.

Mr LeBow and Mr Icahn are trying to force RJR Nabisco into an immediate spin-off of its Nabisco food business, saying the move would increase value for shareholders. RJR Nabisco says an immediate spin-off risks legal action by anti-tobacco plaintiffs with litigation pending against the group.

A filing with the Securities and Exchange Commission shows that Mr LeBow and Mr Icahn have lifted their stake in RJR Nabisco from 4.8 per cent to 5.8 per cent since February 21, buying shares at prices ranging from \$33 to \$55. Mr LeBow's Brooke Group owns 5.18m shares and Mr Icahn owns 10.77m.

Mr LeBow and Mr Icahn are seeking shareholder support for the election of an alternate slate of directors who would support their spin-off plan.

Pooling resources to gain mass

Bernard Simon on the proposed Battle Mountain-Hemlo merger

The trend towards consolidation in the international mining industry has moved another step forward with the proposed merger of Houston-based Battle Mountain Gold and Canada's Hemlo Gold to form North America's fifth-biggest gold producer.

The combined company, to be known as Battle Mountain-Hemlo, would produce more than 1m ounces of gold this year from nine mines in North America, Bolivia, Australia and Papua New Guinea. Its reserves would total about 13m ounces.

The two companies have proposed a US\$1.5bn share swap, with Hemlo shareholders receiving 1.43 Battle Mountain shares for each Hemlo share.

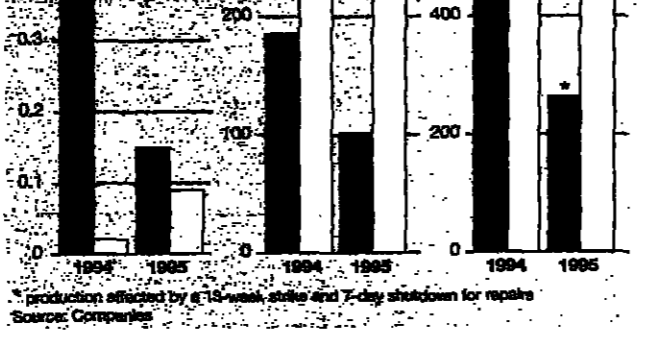
The deal, which still requires shareholder approval, values Hemlo shares at C\$1.05 each, a 20 per cent premium to their market price prior to the announcement.

Noranda, the Canadian resources group which currently owns 44 per cent of Hemlo, would be the biggest shareholder in the combined group, with a 28 per cent stake.

The two companies said the merger would make a good fit. Hemlo currently depends on its Golden Giant mine in northern

proposing to build a mine close to Yellowstone National Park, one of the best-known tourist attractions in the US.

Hemlo shares bounced up by C\$1.75 to C\$19.13 in early trading on the Toronto exchange yesterday. Battle Mountain lost 22 cents to US\$9.76 on the New York stock exchange.



Mr Todd Ehrlich, analyst at Everen Securities in Chicago, said Battle Mountain's exploration activities brightened Hemlo's growth prospects. But he expressed reservations about the short-term implications for Battle Mountain, noting that the US company was paying "top dollar" and that the addition of Hemlo would dilute its ratio of reserves to market value.

The deal is the latest in a series of mining mergers and acquisitions, especially in North America and Australia, which have been propelled by strong cash flows, high share prices, and by an appetite to expand reserves and diversify risk. Some industry executives believe that a handful of large multinationals are emerging that will come to dominate the industry.

BONGRAIN 1995 Results. At a meeting on the 8th of March 1996, the Board of Directors approved the 1995 annual accounts. The results are not influenced by changes in the consolidation structure. The activities of VESPRESSI (Hungary) and BONGRAIN EUROPA POLSKA (Poland) are consolidated by the equity method. The other companies in Central and Eastern Europe and the COMPAGNIE LATIÈRES EUROPÉENNES activities are not consolidated.

SEND US YOUR OWN PAPERCLIP. And while you are at it, please attach your cheque too fund more Macmillan Nurses in the fight against cancer. (Did you know over one million people are living with it?) Enter amount £..... made out to 'CRMF (P)'. Send to: CRMF FREEPOST LONDON SW3 3BR. THE Macmillan APPEAL. Cancer Relief Macmillan Fund exists to support people with cancer and their families. Regd. Charity No. 261017



CONVOCAZIONE ASSEMBLEA ORDINARIA

L'Assemblea degli Azionisti dell'ENI S.p.A. è convocata in sede ordinaria in Roma, Auditorium della Tecnica, Viale Tupini n. 65 per il giorno 12 aprile 1996 alle ore 10 in prima convocazione e, occorrendo, per il giorno 13 aprile 1996, stessi ora e luogo, in seconda convocazione per discutere e deliberare sul seguente

- Ordine del giorno
1. Determinazione del numero dei componenti il Consiglio di Amministrazione;
2. Determinazione della durata in carica degli Amministratori;
3. Nomina dei componenti il Consiglio di Amministrazione;
4. Nomina del Presidente del Consiglio di Amministrazione;
5. Determinazione del compenso del Presidente e degli Amministratori.

Al sensi dello Statuto, gli Amministratori saranno nominati mediante voto di lista, eccetto quello nominato dal Ministro del Tesoro d'intesa con i Ministri del Bilancio e della Programmazione Economica e dell'Industria, del Commercio e dell'Agricoltura.

I soci che rappresentano almeno l'1% del capitale sociale e il Consiglio di Amministrazione uscente potranno presentare una lista di candidati al Consiglio di Amministrazione con le modalità previste dallo Statuto. Le liste presentate dovranno essere depositate presso la sede sociale e pubblicate su almeno tre quotidiani italiani a diffusione nazionale, di cui due economici, almeno venti e dieci giorni prima di quello fissato per l'Assemblea in prima convocazione, rispettivamente per la lista presentata dal Consiglio uscente e per quelle presentate dagli Azionisti.

Hanno diritto di intervenire in Assemblea gli Azionisti che avranno depositato le azioni almeno cinque giorni prima della data della prima convocazione presso la sede sociale in Roma, Piazzale Enrico Mattei n. 1, oppure presso le seguenti casse incaricate: Banca Commerciale Italiana S.p.A., Credito Italiano S.p.A., Istituto Bancario San Paolo di Torino S.p.A., Banco di Napoli S.p.A., Banca Nazionale del Lavoro S.p.A., Banco Ambrosiano Veneto S.p.A., CARIPLO - Cassa di Risparmio delle Province Lombarde S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca di Roma S.p.A., Banca Fideuram S.p.A., Banco di Sicilia S.p.A., Deutsche Bank S.p.A., Sofid Sim S.p.A., Citibank N.A., Morgan Guaranty Trust Company of New York-ADR Administration New York and Securities Services Milano, e Monte Titoli S.p.A. per i titoli della stessa amministrazione.

Il voto potrà essere esercitato anche per corrispondenza in conformità alle disposizioni del "Regolamento concernente le condizioni e le modalità per l'esercizio del diritto di voto per corrispondenza" emesso il 30 dicembre 1994 dalla Banca d'Italia, dalla Consob e dall'ISVAP e pubblicato sulla Gazzetta Ufficiale del 5 gennaio 1995, n. 4 (Serie generale). Le proposte di deliberazione del Consiglio di Amministrazione all'Assemblea e le relazioni illustrative sono state depositate presso la sede sociale e gli enti indicati in precedenza e vi rimarranno fino alla data della riunione assembleare. La scheda di voto, unitamente al biglietto di ammissione alla votazione, dovrà pervenire alla Segreteria Societaria dell'ENI S.p.A., Piazzale Enrico Mattei, 1 - 00144 ROMA, entro il 9 aprile 1996.

I possessori di ADRs, rappresentativi ciascuno di dieci azioni ordinarie dell'ENI S.p.A., quotati alla Borsa di New York che risulteranno iscritti alla data del 29 marzo 1996 nell'apposito registro tenuto dalla Morgan Guaranty Trust Company of New York, avranno la facoltà di partecipare all'Assemblea o di esercitare il voto per corrispondenza, osservati gli adempimenti di deposito e registrazione delle azioni possedute; i medesimi possessori, qualora si siano avvalsi del voto per delega o per corrispondenza, avranno la facoltà di seguire i lavori assembleari, previa richiesta scritta alla Morgan Guaranty Trust Company of New York (banca depositaria).

Il Presidente del Consiglio di Amministrazione Ing. Luigi Meanti

INFORMAZIONI PER GLI AZIONISTI

I soci che rappresentano almeno l'1% del capitale sociale e il Consiglio di Amministrazione uscente potranno presentare liste di candidati al Consiglio di Amministrazione. Le liste dovranno essere depositate presso la sede sociale unitamente a dichiarazioni con le quali i singoli candidati accettano la propria candidatura e attestano, sotto la propria responsabilità, l'inesistenza di cause di ineleggibilità e di incompatibilità, nonché l'esistenza dei requisiti prescritti dalla normativa vigente per ricoprire la carica di Amministratore. Le liste presentate dagli Azionisti e dal Consiglio di Amministrazione uscente dovranno essere pubblicate su almeno tre quotidiani italiani a diffusione nazionale, di cui due economici, rispettivamente almeno dieci e venti giorni prima di quello fissato per l'Assemblea in prima convocazione. Al fine di comprovare la titolarità del numero di azioni necessario alla presentazione delle liste, gli Azionisti dovranno presentare e/o recitare presso la sede sociale, con almeno cinque giorni di anticipo rispetto a quello fissato per l'Assemblea in prima convocazione, copia dei biglietti di ammissione emessi dai soggetti depositari delle loro azioni. Ogni azionista potrà presentare o concorrere alla presentazione di una sola lista e ogni candidato potrà presentarsi in una sola lista a pena di ineleggibilità. Ogni azionista avente diritto al voto potrà votare una sola lista.

VOTO PER CORRISPONDENZA Il voto potrà essere esercitato anche per corrispondenza in conformità alle disposizioni del "Regolamento concernente le condizioni e le modalità per l'esercizio del diritto di voto per corrispondenza" emesso il 30 dicembre 1994 dalla Banca d'Italia, dalla Consob e dall'ISVAP e pubblicato sulla Gazzetta Ufficiale del 5 gennaio 1995, n. 4 (Serie generale).

Le schede per l'esercizio del voto per corrispondenza, corredate con le relazioni illustrative e le proposte di deliberazione del Consiglio di Amministrazione relative alle materie poste all'ordine del giorno, sono depositate presso la sede sociale e la Cassa incaricata a partire dalla data di pubblicazione sulla Gazzetta Ufficiale dell'Avviso di convocazione e fino alla data dell'Assemblea. Le liste di candidati al Consiglio di Amministrazione che saranno presentate dai soci che rappresentano almeno l'1% del capitale sociale e dal Consiglio di Amministrazione uscente, depositate e pubblicate nei termini in precedenza indicati, saranno tempestivamente messe a disposizione della Cassa incaricata.

Gli Azionisti che intendono esercitare il voto per corrispondenza dovranno farne richiesta agli enti indicati nell'avviso di convocazione depositando presso gli stessi le azioni o, per le azioni amministrate dalla Monte Titoli, la certificazione di cui all'articolo 3 della Legge 19 giugno 1986, n. 289.

Gli enti indicati nell'avviso di convocazione rilasceranno agli Azionisti che intendano esercitare il voto per corrispondenza il biglietto di ammissione alla votazione e una cartella contenente la scheda di voto corredata con le relazioni illustrative, le proposte di deliberazione e la documentazione esplicita sulla modalità di esercizio del voto per corrispondenza, nonché una busta già predisposta per l'invio alla Società.

La busta contenente la scheda di voto e il biglietto di ammissione alla votazione dovranno pervenire alla Segreteria Societaria dell'ENI S.p.A., Piazzale Enrico Mattei, 1 - 00144 ROMA, entro e non oltre il 9 aprile 1996.

Le schede pervenute alla Società oltre il suddetto termine, o non corredate con il biglietto di ammissione alla votazione, non saranno considerate ai fini della costituzione dell'Assemblea e della votazione; le schede pervenute alla Società prive della sottoscrizione non saranno considerate ai fini della votazione.

Il voto per corrispondenza è incompatibile con il rilascio di delega e deve essere esercitato direttamente dal titolare del diritto di voto sulle azioni.

I Signori Azionisti sono cortesemente invitati a presentarsi in anticipo rispetto all'orario di inizio dell'Assemblea al fine di agevolare le operazioni di ammissione; le operazioni di registrazione saranno espletate presso la sede di svolgimento dell'Assemblea a partire dalle ore 9.

La Segreteria Societaria dell'ENI è a disposizione per eventuali ulteriori informazioni ai seguenti numeri: Telefono 06/59822421 - Fax 06/5982233.

ENI S.p.A. Sede sociale in Roma, Piazzale Enrico Mattei, 1 Capitale sociale: L. 7.999.205.453.000 L.V. N. 8886/92 Registro della Imprese di Roma (Tribunale di Roma) Codice fiscale 00484960588

The Italian text prevails over the translation into English

NOTICE OF SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting of ENI S.p.A. is to be held in Rome, Auditorium della Tecnica, Viale Tupini n. 65 on April 12, 1996 at 10 a.m. local time on first call, and, where necessary on April 13, 1996 at the same time and location on second call, to discuss and resolve on the following

- Agenda
1. Determination of the number of the Board of Directors' members;
2. Determination of the Directors' term;
3. Appointment of Directors;
4. Appointment of the Chairman of the Board of Directors;
5. Determination of the Chairman's and Directors' compensation.

Pursuant to the By-laws, Directors will be appointed from a list, with the exception of the Director appointed by the Minister of the Treasury, in agreement with the Minister of the Budget and Economic Planning and the Minister of Industry, Trade and Crafts.

Shareholders representing at least 1% of the Company's capital stock and the current Board of Directors may present a list of candidates to the Board of Directors according to the procedures set in the By-laws. The lists presented must be deposited at the Company's Registered Office and published in at least three Italian newspapers of general circulation, two of them business dailies, at least twenty and ten days prior to the date set for the Shareholders' Meeting on first call, respectively for the list presented by the current Board and for those presented by the Shareholders.

Admission to the Meeting will be granted to Shareholders who have deposited their Shares at least five days prior to the date of the first call at the Company's Registered Office in Rome, Piazzale Enrico Mattei, 1 or with one of the following Agents: Banca Commerciale Italiana S.p.A., Credito Italiano S.p.A., Istituto Bancario San Paolo di Torino S.p.A., Banco di Napoli S.p.A., Banca Nazionale del Lavoro S.p.A., Banco Ambrosiano Veneto S.p.A., CARIPLO-Cassa di Risparmio delle Province Lombarde S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca di Roma S.p.A., Banca Fideuram S.p.A., Banco di Sicilia S.p.A., Deutsche Bank S.p.A., Sofid Sim S.p.A., Citibank N.A., Morgan Guaranty Trust Company of New York-ADR Administration New York and Securities Services Milano, and Monte Titoli S.p.A. for the Securities it manages.

Vote may be exercised also by mail pursuant to the provisions contained in the "Regulation regarding the conditions and procedures followed for the exercise of voting rights by mail" issued on December 30, 1994 by the Bank of Italy, Consob and ISVAP and published in the Gazzetta Ufficiale no. 4, January 5, 1995 (Serie generale). The resolution proposals of the Board of Directors to the Shareholders and the relating reports have been deposited at the Company's Registered Office and with the above mentioned Agents and shall remain at the Shareholders' disposal until the date of the Meeting. The Vote by Mail Card, together with the Admission Ticket Card, will have to be received by ENI S.p.A. - Segreteria Societaria, Piazzale Enrico Mattei, 1 - ROMA, 00144 Italy by April 9, 1996.

Beneficial Owners of ADRs, each of them representing ten ordinary Shares issued by ENI S.p.A., listed on the New York Stock Exchange who have deposited their ADRs with the Morgan Guaranty Trust Company of New York, by March 29, 1996 will be entitled to participate in the Meeting or to exercise votes by mail, after having complied with the deposit and registration requirements for Shares held. Beneficial Owners who have taken advantage of Proxy Vote or Vote by Mail options are entitled to observe the Meeting upon written request to be made to the Morgan Guaranty Trust Company of New York, ADR Depositary.

The Chairman of the Board of Directors Ing. Luigi Meanti

INFORMATION FOR SHAREHOLDERS

Shareholders representing at least 1% of the Company's capital stock and the current Board of Directors may present lists of candidates to the Board of Directors. Lists must be deposited at the Company's Registered Office together with a declaration from each candidate accepting nomination and attesting, under his/her own responsibility, that there are no impediments to his/her appointment and no conflict of interest resulting from the same, and that he/she meets the requirements set by current legislation to hold the office of Director. Lists presented by Shareholders and the current Board of Directors must be published in at least three Italian newspapers of general circulation, two of them business dailies, respectively at least ten and twenty days prior to the date set for the Shareholders' Meeting on first call. In order to give proof of ownership of the number of Shares necessary to present a list, Shareholders must present and/or deliver to the Company's Registered Office at least five days prior to the date set for the Meeting on first call, copy of the Admission Ticket Cards issued by the depositaries of the Shares. Each Shareholder will be allowed to present or be involved in the presentation of only one list and each candidate may be included in only one list, under penalty of being barred from election. Each Beneficial Owner may vote for one list only.

VOTE BY MAIL Beneficial Owners may exercise their right to vote also by mail pursuant to the "Regulation regarding the conditions and procedures to be followed for exercising voting rights by mail" issued on December 30, 1994 by the Bank of Italy, Consob and ISVAP and published in the Gazzetta Ufficiale no. 4, January 5, 1995 (Serie generale).

Vote by Mail Cards, together with the reports and the proposals of the Board of Directors regarding the issues included in the agenda of the Shareholders' Meeting, are deposited at the Company's Registered Office and with the Agents from the day of publication in the Gazzetta Ufficiale of the Notice of Meeting to the date of the Meeting. The lists of candidates to the Board of Directors to be presented by Shareholders representing at least 1% of the Company's capital stock and by the current Board of Directors, deposited and published according to the terms above mentioned, will be delivered to the Agents as soon as they become available.

Shareholders who intend to exercise their vote by mail must apply to the Agents indicated in the Notice of the Meeting, depositing their Shares with such Agents or, for the Securities deposited with Monte Titoli, by supplying the certificate pursuant to article 3, Law 289, June 19, 1986.

Agents indicated in the Notice of Meeting will issue to Shareholders who wish to exercise their vote by mail the Admission Ticket Card and a folder containing the Vote by Mail Card together with the reports, the proposals submitted to the Meeting, the documents explaining the vote by mail procedures and an already addressed envelope for the delivery to the Company.

Envelope containing the Vote by Mail Card and the Admission Ticket Card will have to be received by ENI S.p.A. - Segreteria Societaria, Piazzale Enrico Mattei, 1 - ROMA, 00144 Italy by April 9, 1996.

Cards received by the Company after such date, or not accompanied by the Admission Ticket Card, will be considered neither for the Meeting nor for the voting procedure. Cards received by the Company that have not been signed will not be considered in the voting procedure.

The exercise of vote by mail is not compatible with voting by proxy and must be exercised in person by the Beneficial Owner.

Shareholders are kindly requested to arrive at the Meeting in advance with respect to the time at which the Meeting is due to start, to allow for admission procedures. Registration for the Meeting will take place at the same location of the Meeting starting at 9 a.m.

ENI's Corporate Secretary is available for any further information. Shareholders may need at the following numbers: Telephone 06/59822421 - Fax 06/5982233.

COMPANY NEWS: UK

'Orphan estate' of up to £5bn may be used to pay for purchase of mutual life insurer

Pru shares rise on hope of access to life fund

By Alison Smith, Investment Correspondent

Shareholders in Prudential Corporation, the UK's largest life insurer, could gain access to some of the unattributed assets in its long-term life fund, following discussions with the Department of Trade and Industry. The shares rose steeply on the news, finishing the day 27p up at 46p.

The Pru's announcement that it was discussing the issue with the DTI came as it

revealed 1995 pre-tax profits of £1.04bn (\$1.59bn), compared with £358m.

Analysts' estimates of the unattributed assets - or "orphan estate" - range up to £5bn. But shareholders will have to wait perhaps 12 to 18 months for the DTI talks to end and the potential benefit to become clearer.

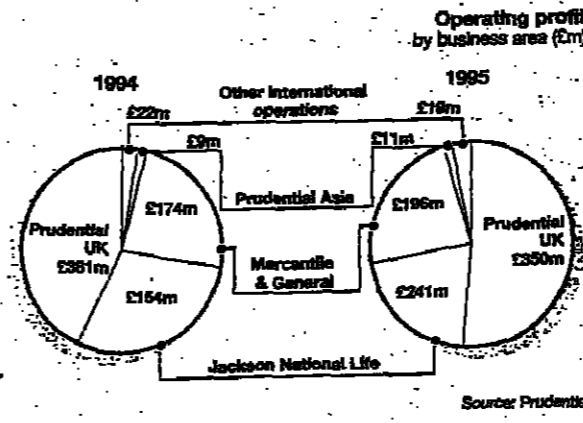
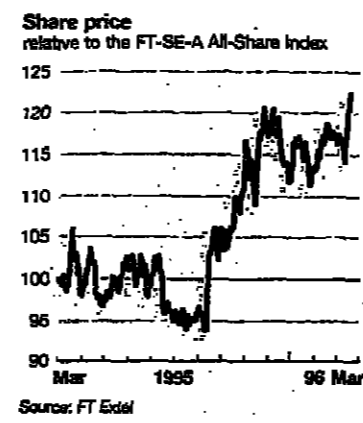
An "orphan estate" is the amount in a with-profits life fund beyond what is needed to meet the reasonable expectations of policyholders.

Prudential is late in raising this issue with the DTI.

He also raised the possibility that the Pru might use the fund to buy a mutual life insurer, as one way of enabling it to reach more customers through an additional method of selling.

The Pru said last year it was interested in buying within the UK life sector, though Mr Davis did not confine himself to this area yesterday, raising speculation that the group might seek to buy a bank or

Prudential



building society.

It plans to launch a mortgage lending and retail savings bank in October, selling

mainly to its existing customer base, but through the low-cost channels of the telephone and post. Mr Davis said that over

time this operation could be expanded to include a wider range of financial services. Lex, Page 12

Williams plans £200m of acquisitions

By David Wighton

Williams Holdings, the diversified industrial group, is in talks to acquire businesses worth more than £200m (£306m), including its first manufacturing operation in South America.

Mr Nigel Rudd, chairman, stressed that not all the deals might be concluded, but said Williams was in a financial position to take advantage of a large number of opportunities in its core businesses. "We have the financial headroom to capitalise on a deal flow which is better than it has

ever been." In addition, Mr Rudd said Williams was talking to potential buyers of its electronics businesses, where profits recovered to about £7m on sales of nearly £100m last year.

The group yesterday announced a 14 per cent increase in 1995 pre-tax profits to £238.3m. Excluding a £9.1m gain on the November flotation of Cortworth, the specialist engineering company, profits were 9 per cent ahead.

Underlying earnings per share were 2 per cent better at 22.3p, reflecting slightly higher tax and a full year's impact of the

£267m rights issue in 1994. This has left Williams with a strong balance sheet, in spite of spending £350m over the past two years on acquisitions and capital investment. Last year, capital spending rose 32 per cent to £51.6m, while £61.2m went on acquisitions. Year-end gearing was only 19 per cent, on shareholders' funds of £501.6m, with interest cover of 18 times.

Mr Rudd said a lot of effort had gone into the globalisation of its security and fire safety operations. The process led last month to the announcement of Williams' first investment in China.

Schroders' executives to build up UK equities

By Nicholas Denton

Schroders, the UK investment bank, has hired two executives to build up UK equities research and sales on the eve of an expected announcement of a further expansion of its securities business.

The bank is appointing Mr Peter Wellington as head of UK research and media analyst, it confirmed yesterday, and Mr

Richard Wyatt is joining as head of institutional sales.

The two men, who were head of equity research, and of equities respectively at NatWest Securities, are following Mr Philip Angar, who left National Westminster to head Schroder Securities a year ago.

Analysts expect Schroders' pre-tax profits to be near £300m for 1995, against £195.4m in 1994 and £196.6m in 1993.

DIGEST

Cordiant incurs loss of £23m

Cordiant, the advertising group which includes Saatchi & Saatchi, yesterday said it was "drawing a curtain on a chapter in the company's history", as it announced pre-tax losses for 1995 of £22.6m (£86m). The company is now debt-free, following a £127m rights issue last year.

However, it is still recovering from the revenue consequences of the ousting of Mr Maurice Saatchi as chairman and the loss of senior staff and important clients. Client defections totalled £40m in annual revenue, which has now been replaced with new business, said Cordiant.

Cordiant plans to declare a dividend in March 1997, the first for seven years. Diane Summers

Art and jewels lift Christies

A substantial improvement in demand for works of art enabled Christies International, the fine art auctioneer, to report a 39 per cent profits rise in 1995.

The results reflected in particular the key area of Impressionist and Modern art where auction sales last year were 67 per cent higher. Jewels also showed a sharp gain, with sales up 37 per cent to £156m. Anthony Thornton

Wolesey warns on full year

Recovery in the UK housing market is likely to come too late to prevent Wolesey's annual pre-tax profits falling below last year's level, Mr Jeremy Lancaster, chairman and managing director of the building products distribution group, warned yesterday. Mr Lancaster's caution came as the company announced a 5 per cent fall in pre-tax profits to £110.97m (£117.36m) for the six months to the end of January. The group blamed the dip on problems at its UK electrical accessories business, where cut-price competition from south-east Asian manufacturers forced it to close its factory in Cumbria. There was also a downturn at its North Carolina lumber business. Andrew Taylor

RTZ-CRA £49m pension boost

RTZ-CRA, the newly merged Anglo-Australian mining group, is to benefit from a repayment of about £49m (£75m) from RTZ's three UK pension schemes which have been performing strongly since the mid-1980s. The company announced yesterday that surpluses in the funds, which have been performing at about one percentage point above the average since 1984, are in excess of limits laid down by the Inland Revenue. Jim Kelly

Liffe Emu contract settlement

The London International Financial Futures and Options Exchange (Liffe), in a ground-breaking move to prepare for European monetary union, has decided its contracts will settle against euro rates for all currencies participating in Emu. This will apply even if active markets for domestic currencies continue to run in parallel with the new euro market. The decision, covers futures contracts on three month D-Mark ("euromark") and three month sterling ("short sterling") interest rates. Samar Iskandar

At BZW we have never lost sight of one overriding business principle. Unless we continue to be brighter and better than our competition, we have little future. So, from advice to implementation, we firmly believe that as no two clients are the same, then no two answers should be. That's why we prefer to bring together the brains and brawn of our global network to fit your particular requirement. Which is what we call using our intelligence.

intrum justitia

(Registered in Curaçao No. 41415)

Notice of Special General Meeting

The shareholders of Intrum Justitia NV, the "Company", are hereby given notice to attend a Special General Meeting of Shareholders which will be held on Friday, 5 April, 1996 at 10.00 hours, at the registered offices of the Company, Chamaecroikade 3, Willemstad, Curaçao, Netherlands Antilles.

The following items are on the agenda for this Meeting:

1. The adoption of the Intrum Justitia 1996 Senior Executive Share Bonus Plan.
2. The authorisation of the Company to purchase its own shares from its capital.

The circular to shareholders dated 12 March, 1996 can be obtained from the following places: the Registered Office of the Company, Intrum Justitia NV, Chamaecroikade 3, Willemstad, Curaçao, Netherlands Antilles; The Registrar, at The Royal Bank of Scotland plc, P.O. Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 0XG, Scotland; Kredietbank S.A. Luxembourg, 43 Boulevard Royal, L-2955 Luxembourg, Luxembourg; and James Capel & Co, Thames Exchange, 10 Queen Street Place, London EC4R 1BL, United Kingdom.

Shareholders can attend the meeting in person or may be represented at the meeting by proxy. If any shareholder wishes to be represented at the meeting by proxy then the holders of the registered shares are requested to complete a proxy form together with their voting instructions and mail these to The Registrar.

The Royal Bank of Scotland plc,
P.O. Box 435,
Owen House,
8 Bankhead Crossway North,
Edinburgh EH11 0XG, Scotland

Holders of bearer shares are requested to deposit their shares with a bank and to arrange for the completion and execution of a certificate of deposit which should be sent with the proxy forms and voting instructions so as to be received by The Royal Bank of Scotland no later than 2 April, 1996 at 10.00 hours.

12 March, 1996.

Notice to Bondholders

Kia Precision Works Co., Ltd
(Incorporated in the Republic of Korea with limited liability)
(the "Company")

U.S. \$18,000,000

0.5 per cent Convertible Bonds 2009
(the "Bonds")

Pursuant to provision 6(B) of the Trust Deed dated 14th July, 1994 concerning the Bonds, notice is hereby given as follows:

A stock Dividend to increase the Company's paid-in capital was authorised by a resolution of the Board of Directors of the Company passed on 16th December, 1995 as follows:

1. Record date: 31st December, 1995.
2. The Stock Dividend ratio was 2.0% of paid-in capital.
3. Number of shares to be issued: number of common shares to be increased by 106,320.
4. Conversion price has been adjusted from 17,822 to 17,636 (pursuant to the provisions of the Trust Deed, effective retroactively to immediately after the record date).

The schedule of the Stock Dividend was submitted to the Shareholder's Meeting which was held on 29th February, 1996, and it was passed during the meeting to the company's original intention without material objections from the shareholders.

By: Kia Precision Works Co., Ltd

Dongshin Securities Co., Ltd.

13th March, 1996

INVESTMENT BANKING. FROM A TO



REGULATED BY SFA AND IMRO

A DIVISION OF BARCLAYS BANK PLC

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In the fight against disease, this could be the most powerful weapon yet.



It's not magic. But it may yet work miracles.

This is the trademark of a completely different kind of pharmaceutical venture.

The recently-merged Pharmacia & Upjohn.

It's a partnership that has created a company of quite remarkable depth and scope: over 30,000 people working in 50 countries and serving 200 million people around the world.

And it's for those 200 million people that this announcement should come as very good news.

Because the merger will give two pools of specialised medical talent the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight

against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however.

It is also about shared ideals.

Our trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.



Pharmacia & Upjohn

هنا من الأهل

Fungus scare hits Chicago wheat futures

By Alison Maitland in London and Reuters in Washington
The US Department of Agriculture said yesterday it had lifted the issue of fungus-free certificates for wheat exports to 21 countries following the discovery of a fungus in durum wheat seed in Arizona.

tract in Chicago was down 7/8 cents at \$4.84 a bushel by lunchtime after falling to \$4.79 on fears about the prospects for US wheat exports. It closed down 8 1/2 cents at \$4.83.

Wheat prices are already high, having surged over the past nine months as poor harvests in major producing countries helped push world stocks to their lowest levels in 20 years.

Wheat prices are already high, having surged over the past nine months as poor harvests in major producing countries helped push world stocks to their lowest levels in 20 years.

durum wheat seed infected with the fungus. A USDA official said a third lot was also being looked at. Emergency quarantines were imposed in the infected areas.

Greece aims to unblock protest-hit gold project

By Kerin Hope in Athens
The Greek government would try to stop environmental protests that have blocked a \$200m gold-extraction project in northern Greece by TVX Hellas, a subsidiary of TVX Gold of Canada, officials said this week.

Table with 2 columns: Metal, Price. Includes Aluminum, Copper, Lead, Zinc, Tin.

government officials would be given detailed briefings on measures being taken to protect the environment. TVX Hellas has said it will spend \$7m on environmental protection measures at Kassandra, including milling of disused mines and other measures to prevent ground water contamination.

Ukrainian farmers seek glory in the free market

Matthew Kaminski on the start of the country's collective farm reorganisation programme
The collective farm workers wore their Sunday best. A red banner hanging above the assembly hall stage bore the legend: "Work brings glory and fame".



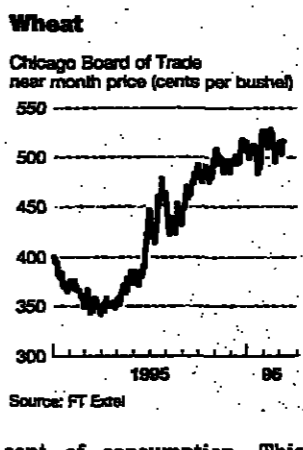
open a mineral water bottling company at the farm. "We've spent our whole lives on the collective and we're not sure what'll happen," said Mr Mykhailo Kuliuk, before adding, with little confidence: "Of course, the experiment must be supported".

another 14 per cent of Ukraine's economic output. But the commitment to central planning policies, broken trade links and a generally spiralling economy quickly took a toll after the Soviet collapse.

tant social role in the east Slavic lands. It is the village community, which many fear will be destroyed by division. In economic terms, a reorganisation must balance equity with efficiency. That also has proved hard elsewhere.

'Further grain prices rises likely'

By Alison Maitland
World demand for grains has not fallen enough in response to high prices to balance supply and further price increases are likely this year, according to the World Bank.



"Some increase in area is expected in the US, however, as land flooded last summer is returned to production." The bank confirms the growing view that prospects for the next northern hemisphere wheat crop appear good.

Local leaders called the workers, who this year agreed to divide land and assets of the 4,500 hectare farm, "pioneers". "Today marks a new era," said Mr Oleksandr Lukyachenko, deputy governor of the Donetsk oblast, in eastern Ukraine.

Some of both. All but ten chose to participate. No money could be used. The assets will be divided at such meetings. In committees formed in previous weeks, 17 new farms were created and usually the workers living nearby cast in their lot with them.

A broad range of political parties opposes farm reform and hankers after an increase in state subsidies and trade controls. Even deeper appears the aversion to private ownership of land in a nation for centuries ruled by a tiny landholding elite.

President Leonid Kuchma last year signed two decrees permitting private ownership of farm land. The Donetsk region's market-oriented governor, Mr Volodymyr Shebarin, gave the green light last October to try it out.

In these areas, Ukraine has made some progress in recent months. Already 40 per cent of Ukrainian farmers get their seeds, fertilisers and other inputs from private suppliers on the free market.

COMMODITIES PRICES

BASE METALS

Table of base metal prices including Aluminum, Copper, Lead, Zinc, Tin, and Nickel.

Precious Metals continued

Table of precious metal prices including Gold, Silver, and Platinum.

GRAINS AND OIL SEEDS

Table of grain and oil seed prices including Wheat, Corn, Soybeans, and Rapeseed.

SOFTS

Table of soft commodity prices including Cocoa, Coffee, and Sugar.

MEAT AND LIVESTOCK

Table of meat and livestock prices including Live Cattle, Live Hogs, and Pork.

JOTTER PAD

Table of LONDON TRADED OPTIONS for various commodities.

CROSSWORD

Crossword puzzle grid with clues and a solution key.

LONDON SPOT MARKETS

Table of London spot market prices for oil, gas, and other commodities.

SOLUTIONS TO CROSSWORD

Solution key for the crossword puzzle, listing words and their positions.

PRECIOUS METALS

Table of precious metal prices including Gold, Silver, and Platinum.

UNLEADED GASOLINE

Table of unleaded gasoline prices.

FUTURES DATA

Table of futures data for various commodities.

INDICES

Table of market indices including FTSE 100, Nikkei, and DAX.

VOLUME DATA

Table of volume data for various commodities.

MINOR METALS

Table of minor metal prices including Tin, Lead, and Zinc.

WORLD MARKET

Table of world market prices for various commodities.

WORLD MARKET

Table of world market prices for various commodities.

deals in M&A ear

Foreign exchanges endured another frustrating day yesterday with currencies remaining largely inured from the tensions evident in the bond and equity markets...

The slide in US and share and bond prices which failed to materialise on Monday was evident yesterday, and the negative showing of financial markets pulled the dollar lower...

There was little price movement in Europe, with most traders preferring to take to the sidelines ahead of Thursday's Bundesbank council meeting...

Sterling lost ground against a background of renewed political nervousness following the announcement of a by-election...

despite turmoil in asset markets, especially after the Federal Reserve raised interest rates. He said it was not until the volatility in the underlying markets had resolved itself...

The general lament at the moment is that currency markets lack direction, a problem not so far solved by the volatility in bonds and equities...

Mr Richard Koo of the Nomura Research Institute in Tokyo has offered an interesting gloss on the importance of last Friday's US jobs report...

CURRENCIES AND MONEY

MARKETS REPORT Currencies idle as bonds and equities dominate

By Philip Gawth

Local nervousness following the announcement of a by-election...

despite turmoil in asset markets, especially after the Federal Reserve raised interest rates...

The trade weighted index finished at 83.2, from 83.6.

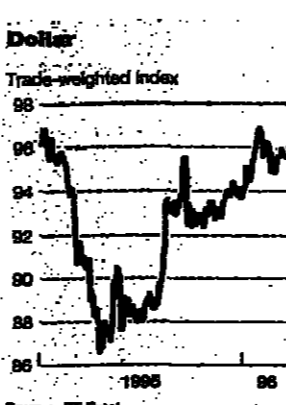
Mr Mark Hendriks, head of economic research at SBC Warburg in London...

Mr Koo said the first assumption had been smashed by Mr Wataru Kubo, the Japanese finance minister...

There was little price movement in Europe, with most traders preferring to take to the sidelines ahead of Thursday's Bundesbank council meeting...

Mr Richard Koo of the Nomura Research Institute in Tokyo has offered an interesting gloss on the importance of last Friday's US jobs report...

Mr Koo concludes that short yen/dollar positions have become "extremely risky", and with investors less likely to build these positions...



Source: FT Data

WORLD INTEREST RATES

Table of Money Rates for various countries including Belgium, France, Germany, Italy, Japan, etc. Columns include Over night, One month, Three months, Six months, One year, Lomb. rate, and Repo rate.

LIBOR FT London Interbank Funding rates are offered here for 50m quoted to the market by four reference banks at 11am each working day...

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for various countries including Belgium, Denmark, Germany, France, etc. Columns include Short, 7 days notice, One month, Three months, Six months, One year.

POUND SPOT FORWARD AGAINST THE POUND

Table of Pound Spot Forward rates for various countries including Europe, Americas, Asia, etc. Columns include Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month, Three months, One year, Bank of England index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of Dollar Spot Forward rates for various countries including Europe, Americas, Asia, etc. Columns include Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month, Three months, One year, JP Morgan index.

OTHER CURRENCIES

Table of Other Currencies including Canada, Hong Kong, India, etc. Columns include Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month, Three months, One year, JP Morgan index.

CROSS RATES AND DERIVATIVES

Table of Exchange Cross Rates for various countries including Belgium, Denmark, France, Germany, etc. Columns include Bid, Offer, DM, FF, L, S, HK\$, etc.

EUROPEAN CURRENCY UNIT RATES

Table of EMS European Currency Unit Rates for various countries including Spain, Netherlands, Austria, Germany, etc.

UK INTEREST RATES

Table of UK Interest Rates including London Money Rates and UK clearing bank lending rates.

US TREASURY BILL FUTURES

Table of US Treasury Bill Futures for various maturities including 91 days, 182 days, etc.

BASE LENDING RATES

Table of Base Lending Rates for various banks including Adams & Company, Duncan Laing, etc.

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for various countries including Belgium, Denmark, Germany, etc.

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Advertisement for MARKET-EYE, FREEPHONE 0800 321 321. Fax: 0171 398 1001.

Advertisement for WANT TO KNOW A MARKET? The I.D.S. Gann Seminar will show you how the markets REALLY work.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks and Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks and Retail sector.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Restaurants sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Materials & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Equipment sector table.

ENGINEERING

Table listing companies in the Engineering sector.

ENGINEERING - Cont.

Continuation of Engineering sector table.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HEALTH CARE - Cont.

Continuation of Health Care sector table.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

Advertisement for digital PC by Computacenter, featuring the text 'From the UK's leading provider of distributed IT systems and services.'

Handwritten signature or mark at the bottom of the page.

LONDON SHARE SERVICE

INVESTMENT COMPANIES - Cont.

Table listing investment companies with columns for company name, share price, and other financial data.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for company name, share price, and other financial data.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for company name, share price, and other financial data.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued) with columns for company name, share price, and other financial data.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for company name, share price, and other financial data.

OIL, INTEGRATED

Table listing integrated oil companies with columns for company name, share price, and other financial data.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for company name, share price, and other financial data.

PROPERTY

Table listing property companies with columns for company name, share price, and other financial data.

OTHER FINANCIAL

Table listing other financial companies (continued) with columns for company name, share price, and other financial data.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for company name, share price, and other financial data.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for company name, share price, and other financial data.

PROPERTY - Cont.

Table listing property companies (continued) with columns for company name, share price, and other financial data.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for company name, share price, and other financial data.

SUPPORT SERVICES

Table listing support services companies with columns for company name, share price, and other financial data.

PROPERTY - Cont.

Table listing property companies (continued) with columns for company name, share price, and other financial data.

RETAILERS, FOOD

Table listing food retailers with columns for company name, share price, and other financial data.

RETAILERS, GENERAL

Table listing general retailers (continued) with columns for company name, share price, and other financial data.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued) with columns for company name, share price, and other financial data.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for company name, share price, and other financial data.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for company name, share price, and other financial data.

AIM - Cont.

Table listing AIM companies with columns for company name, share price, and other financial data.

AMERICANS

Table listing American companies with columns for company name, share price, and other financial data.

CANADIANS

Table listing Canadian companies with columns for company name, share price, and other financial data.

AIM - Cont.

Table listing AIM companies (continued) with columns for company name, share price, and other financial data.

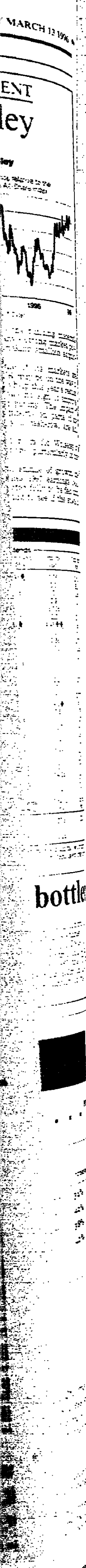
SOUTH AFRICANS

Table listing South African companies with columns for company name, share price, and other financial data.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service: Prices for the London Share Service delivered by FT Data, a member of the Financial Times Group. Company descriptions are based on those used for the FT-SE 100.

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4376 for more details.

Main table containing financial data for various funds, including columns for fund names, prices, and performance metrics. Includes sub-sections like 'OFFSHORE INSURANCES' and 'OTHER OFFSHORE FUNDS'.

OFFSHORE INSURANCES

Table listing offshore insurance products and their associated financial details.

OTHER OFFSHORE FUNDS

Table listing other offshore funds and their associated financial details.

MANAGED FUNDS NOTES: This page is subject to change without notice. Funds are not insured by the FT Cityline Help Desk...

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LONDON STOCK EXCHANGE

MARKET REPORT

Another bout of Wall St jitters upsets equities

By Steve Thompson, UK Stock Market Editor

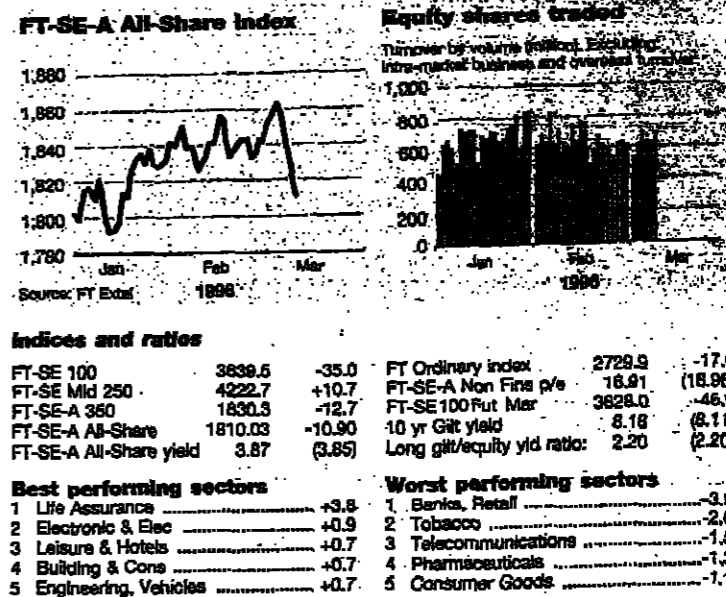
Another big sell-off on Wall Street, where the Dow Jones Industrial Average dropped more than 60 points shortly after the opening...

The FT-SE 100 index closed 10.7 firmer at 4,222.7. Wall Street's latest decline caused extreme nervousness in global markets...

30-year bond was down 1/4 shortly after London closed. The bond market, as always, remains the key to Wall Street and Europe...

The drama during the afternoon was in stark contrast to the market mood at the opening. Then, the Footsie had opened in a confident mood...

selling of US bonds in the Far East and Europe provided a pointer to equity markets. No customer support was forthcoming...



Equity Shares Index, Indices and Rates. Table with columns for Index Name, Value, Change, and Rate. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various bond yields.

Falls in bonds hit banks

Leading bank stocks fell sharply on a combination of bond market weakness, the political situation in China and mortgage price war worries.

sector, Hambros rose 7 to 239p as Credit Lyonnais Laing raised its current year profits forecast by almost 30 per cent.

On top of that, the full-year figures came in at the high end of analysts' predictions and some forecasts were being moved higher.

suggested that some analysts may be prepared to add an extra 2 per cent to current profits estimates. British Aerospace raced up the Footsie rankings following a buy note from Credit Lyonnais Laing.

very relaxed and confident. BZW moved up by 56m to £210m for this year, partly on TT's acquisition plans. The shares added 6 at 496p.

turnover was the heaviest for three years. BZW cut back its earnings estimates by £15m to £235m for this year.

Big BAT trade

Chunky volume in BAT Industries, combined with a sharp fall in the share price, prompted worries about fundamental selling.

But it appeared later that the turnover of 28m shares by the close represented the first half of a so-called 'bed and breakfast' deal.

On top of that, the full-year figures came in at the high end of analysts' predictions and some forecasts were being moved higher.

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Pru perks up

Prudential stood head and shoulders above the market yesterday on the announcement that it is trying to get money from its orphan estate.

The strong inference from that cash would be used to boost acquisitions and, while opinion was divided between whether a mutual or quoted company would be preferred, the consensus was that a building society would be high on the list.

On top of that, the full-year figures came in at the high end of analysts' predictions and some forecasts were being moved higher.

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London market data

Table with columns for Index Name, Value, Change, High, Low. Includes FT-SE All-Share, FT-SE 100, FT-SE Mid 250, FT-SE All-Share Yield, and various bond yields.

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FT-SE Actuaries Share Indices

Table with columns for Index Name, Value, Change, High, Low. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, FT-SE SmallCap, FT-SE All-Share Yield, and FT-SE All-Share Dividend.

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Hourly movements

Table with columns for Index Name, Value, Change, High, Low. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, FT-SE SmallCap, FT-SE All-Share Yield, and FT-SE All-Share Dividend.

Table with columns for Index Name, Value, Change, High, Low. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, FT-SE SmallCap, FT-SE All-Share Yield, and FT-SE All-Share Dividend.

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FT Surveys

Additional information on the FT-SE Actuaries Share Indices is published in Surveys.

Trading Volume

Major Stocks Yesterday. Table with columns for Stock Name, Volume, Change, High, Low.

Market Report

Another big sell-off on Wall Street, where the Dow Jones Industrial Average dropped more than 60 points shortly after the opening...

London Market Data

Table with columns for Index Name, Value, Change, High, Low. Includes FT-SE All-Share, FT-SE 100, FT-SE Mid 250, FT-SE All-Share Yield, and various bond yields.

FT-SE Actuaries Share Indices

Table with columns for Index Name, Value, Change, High, Low. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, FT-SE SmallCap, FT-SE All-Share Yield, and FT-SE All-Share Dividend.

Hourly Movements

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WORLD STOCK MARKETS

Main table of world stock markets including sections for EUROPE, ASIA, OCEANIA, AMERICA, and AFRICA. Each section lists various stock indices and individual company prices with their respective changes.

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INDICES table showing market performance for various regions including Asia, Europe, and Americas. Columns include index name, current value, and percentage change.

US INDICES table showing performance of major US stock indices such as Dow Jones, S&P 500, and NASDAQ. Includes columns for index name, current value, and change.

NEW YORK ACTIVE STOCKS table listing individual stock prices and changes for major US companies like IBM, Microsoft, and Intel.

TRADING ACTIVITY table showing trading volume and price changes for various international markets including Australia, Canada, and South Africa.

TOKYO - MOST ACTIVE STOCKS table listing the most actively traded stocks in the Tokyo market, including Nippon Steel and Shikoku Electric.

Footnote and disclaimer text: 'The FTSE 100 index... The FTSE 100 index... The FTSE 100 index...'. Includes information about data sources and copyright notices.

4 pm Close March 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized into columns with headers like 'Low', 'High', 'Open', 'Close', 'Change', and 'Volume'. Includes sub-sections for 'D', 'L', 'H', 'C', 'E', 'F', 'G', 'I', 'J', 'K', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, change, and volume.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, change, and volume.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, change, and volume.

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AMERICA

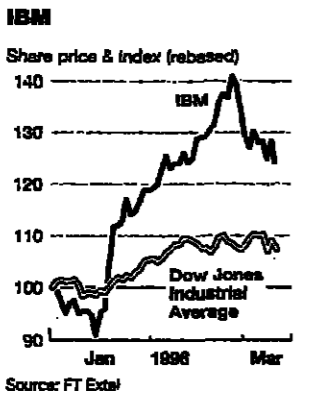
Equities slide as bond yields climb again

Wall Street

US equities tumbled in early afternoon trading as bonds proved unready to hold on to the gains made late on Monday, writes Lisa Branstetter in New York.

A 12:44 pm trading in futures on the Standard & Poor's 500 was halted for half an hour when the Junc contract slid 12 points. That helped to stem the decline on the cash market, which was about 11 points lower when the restriction - known as the "sidcar rule" - was imposed.

Still, US shares gave up nearly all of the ground that they regained on Monday as US financial markets recovered from the sharp sell-off on Friday, which was sparked by a



surprisingly strong figure on job growth. The S&P 500 was 10.09 lower at 629.59 and the Dow Jones Industrial Average 83.82 off to 5,497.18. The American Stock Exchange composite dropped 4.76 to 556.62. New York SE volume was 251m shares.

The benchmark 30-year Treasury was a full point down, with the yield at 6.710 per cent, in the wake of a new sign that the US economy was strengthening.

Brazil declines 1%

Sao Paulo was marked 1 per cent lower in midday trade in spite of an improved outlook for the government's social security reform plan. The Bovespa index was 487.87 weaker at 47,230 as Wall Street continued to provide the lead.

S Africa awaits budget news

Johannesburg's industrialists ended the day firmer on a turnaround in sentiment following the overnight surge on Wall Street, while gold shares rose on generally better sentiment and a slightly improved bullion price.

FT/SP ACTUARIES WORLD INDICES

Table with columns for National and Regional Market Indices, showing values for various countries like Australia, Brazil, Canada, etc.

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EUROPE

Mixed reception for BASF and Bayer dividends

Continued volatility in US financial markets took most Continental bourses into early recovery, and dropped them into a mild depression by the end of trading.

FRANKFURT ushered in the "Big Three" chemicals dividend season, moving the constituent stocks both ways as the Dax index fell 4.43 to an this-indicated 2,415.29 after a high for the day of 2,448.30.

Bayer and BASF led the turnover charts, accounting for around DM10n each within a German total of DM1,000n. But Bayer's 20 per cent rise in profits and 16 per cent dividend increase led the shares DM8.10 lower at DM462.40, while BASF, with virtually doubled profits and a 40 per cent dividend gain, climbed DM7.30 to DM377.50.

Other sensitive areas were more rewarding. Navigation Mixte jumped FF7.40 to FF819 as the Paribas offer to buy out the group at FF760 a share opened, and Consortium de Realisation (CDR), the French state holding company in charge of selling assets formerly held by Credit Lyonnais, opposed the offer, and the direct group Sanofi rose FF4.30 to FF368 on a commercial alliance with Rotta Research of Italy.

ASIA PACIFIC

Overseas demand spurs Nikkei as region rebounds

Speculative stocks rallied. Dync, a maker of bookbinding cloths, rose Y100 to Y976 and Shinko Electric Y69 to Y954. Oil shares eased on fears of lower earnings following the deregulation of the gasoline retail market. Nippon Oil declined Y12 to Y84 and Mitsubishi Oil Y3 to Y78.

Roundup

Wall Street's overnight rally provided the cue for renewed buying in regional markets, although many investors remained cautious, fearing further volatility in the US.

Most major blue chips managed to erase part of Monday's heavy losses. HSBC climbed HK\$1.50 to HK\$117, Cheung

climbed F1.4 of 5.6 per cent to F176 on a leap in 1995 profits and news of a new global stock offering.

A bounce in forestfire-lifted Ence, in MADRID, by Ptas6 or 1.4 per cent to Ptas1,680 as the general index eased 0.28 to 3,077.66.

STOCKHOLM and HELSINKI, the sector outperformed the broader market indices with gains of 8.8 per cent and 1.7 per cent respectively. Stockholm also saw a SEK3.50 rise to SEK192.60 in Volvo, on foreign interest.

ISTANBUL finished 2 per cent lower, with the composite index, 1,267.64 down at 61,383.99, having already discounted the Conservative coalition's success in a parliamentary confidence vote.

Analysts said that the government's shaky parliamentary base posed doubts about whether it could tackle urgent structural reforms.

TEL AVIV took its lead from the higher overnight Dow, and the Mifatanim index firming 2.58 to 2,943.4.

FT-SE Actuaries Share Indices

Table with columns for Mar 12, Mar 11, Mar 8, Mar 7, Mar 6, Mar 5, Mar 4, Mar 3, Mar 2, Mar 1, Mar 0, Mar -1, Mar -2, Mar -3, Mar -4, Mar -5, Mar -6, Mar -7, Mar -8, Mar -9, Mar -10, Mar -11, Mar -12.

pean priority list, viewed the creation of Novartis as "the most visionary example of consolidation in the healthcare industry thus far".

Analysts noted that domestic Chinese investors had been sellers of Shanghai B shares on worries about Taiwan tensions.

BOMBAY lacked direction, inhibited by political uncertainties ahead of the general election, due before June, and with financial year-end considerations dampening enthusiasm.

SHANGHAI's hard currency B shares edged ahead in a technical rebound, although analysts said that continuing uncertainty kept most invest-

ers away. The index moved up 0.126 to 50,336.

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Friday to announce a 19 per cent rise in 1995 net profits, thanks to its airline and property interests, appreciated HK\$1.75 to HK\$4.50. Cathay Pacific lost 30 cents to HK\$13.35 in spite of higher than expected 1995 earnings.

SEOUL remained on the downward path as selling pressure mounted in the continued absence of government steps to boost the market. The composite index finished 3.84 softer at 842.42 in volume that improved to 25.2m shares.

Trading hours were extended by 10 minutes because of computer malfunction caused by heavy trading in Korea Housing Bank's new shares. They gained Won300 to Won20,500 in volume of 6.3m shares. SINGAPORE bounced back

but the mood remained cautious. The Straits Times Industrial index advanced 37.58 to 2,353.92 in weak turnover of 10.8m shares.

The biggest gain was seen in Fraser & Neave, the drinks company, which jumped 60 cents to S\$15.70. Cerebos, the food group, was also strong, up 30 cents at S\$12.60.

KUALA LUMPUR picked up 1.6 per cent, or half of Monday's loss, with most of the day's demand concentrated on second line stocks. After reaching a session's high of 1,104.97, the composite index ended 16.35 up at 1,029.94.

SHANGHAI's hard currency B shares edged ahead in a technical rebound, although analysts said that continuing uncertainty kept most invest-

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Large advertisement for BAA plc featuring three financial offers: £250,000,000, £260,000,000, and £350,000,000 in multiple currency revolving credit facilities.

Vertical advertisement for Anglo Irish Bank, featuring the bank's logo and text: "Anglo Irish Bank", "World Cup", "Reports strongly", etc.